

*Murphy*

# Nation's Business

A USEFUL LOOK AHEAD

MARCH 1967

IRS Chief says:

**EASIER  
TAX PAYING  
COMING**

Peter Drucker tells:

**HOW TO  
DOUBLE  
YOUR SALES**

Youth gets the truth

Now your taxes train pickets

Is your business too organized?

Do NOT remove from office.  
**A FIRST BOUND COPY**

A ceiling used to be something that just sat up there with some fixtures dangling from it, and maybe some air vents stuck into it.

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An Armstrong Luminaire Ceiling System (there are three) provides illumination, distributes air, quiets noise, and protects against fire. All in one handsome, easily installed assembly. Quite a change from the old concept.

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Below, a peek at the future: the control room and lab center for an on-wheels, fully automated pulp mill. Driven right to the forest site, this mill will send out remote-control machinery to reduce timber to chips—on the spot—and pipe them directly back to plant. Entire operation will be handled by complement of three: timbering superintendent, plant process supervisor, and lab technician. Innovation like this? Soon. The ceiling? Here today.

much as three times the reflective surface around each lamp. This delivers far more illumination to working areas.

Whatever degree of illumination you need, fewer lamps will do the job in a Luminaire System. Obviously this means lower initial lamp costs, fewer lamps to replace, and fewer dollars for electricity.

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More could be said. Considerably more. About efficiency in air distribution. About effective noise control. Or the endless design possibilities in combining modules with flat panels. Or the economy of installing the system. And we've said it—in a color booklet titled "How to get more useful work out of a ceiling . . . and save money doing it". Write for it. Armstrong Cork Company, 4203 Mercantile St., Lancaster, Pa. 17604.

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
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# Nation's Business

March 1967 Vol. 55 No. 3

Published by the Chamber of Commerce of the United States  
The national federation of organizations representing  
4,750,000 companies and professional and business men  
Washington, D.C.

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# WASHINGTON: A LOOK AHEAD

**"Hundreds—if not thousands** of nationally marketed products shock, burn, maim and explode—not only through negligent use—but through faulty design and careless construction."

As the lawmaker's words rolled out, others in U. S. Senate chamber nodded approvingly. A major legislative thrust had begun for '67. Another big push toward "consumer protection"—the Secure Society.

Last Congress enacted new laws to give Uncle Sam more say about auto safety, packaging, warning smokers, cleaner water, purer air.

**Now Washington will** delve deeply into other fields, a whole raft of them.

Why? Because every voter is a consumer. Because it deals with gut issues. (Who'd be against protecting kids from getting arms caught in machines). Because it doesn't cost billions. And because in some cases it's needed.

Who will lead the way? L. B. J. has called for new consumer laws. And now three Congressional subcommittees have sprung up on Capitol Hill. And the Hill is where the action is.

**What will they go after?** Emphasis will be on new laws to provide: "National commission on hazardous household products" to study safety of all sorts of products and goods, so-called truth-in-lending so people can compare costs of credit, federal safety rules for gas pipelines, more safeguards against flammable fabrics, bans against misleading warranties.

They also want to make cigaret packs list tar and nicotine content, to avoid big power failures and to let buyers have 24 hours to think twice about contracts signed with door-to-door salesmen.

**That's not all.** President wants new safeguards for land sales, pension and mutual funds, clinical lab tests and meat inspection. Also will be proposals to permit more people

to get casualty insurance, safeguard patients from radiation from medical equipment, and to check into drug prices, frauds against the poor, faulty estimates of moving companies and whether we need electric autos.

**Man to watch is Chairman Magnuson** of Senate Commerce Committee. He's old hand in Washington and up for re-election in '68. He's



*Chairman Magnuson of Senate Commerce Committee. Dangers for consumer—or business?*

for most of what's listed above; those were his quotes about products shocking, burning and maiming.

Will he fly off half-cocked? Probably not. He's no Estes Kefauver. He's not out to make all business look bad. He knows "responsible American manufacturers are making great strides," as he puts it.

**He himself is afraid** of dangers of "legislative overkill"—overregulating business out of business.

Also he's willing to get industry views, dig out facts. Periodic anxieties over "flammable baby blankets" is example. Magnuson's people checked federal bureaus, safety experts, finally hundreds of pediatricians to see how real the danger. Finding: Such burn cases are almost nonexistent.

**Some businessmen see** lengthy, publicized Congressional probes giving all business bad image just to catch a few fast-buck artists.

Businessmen recall old complaints about "forced draft consumerism," "planned obsolescence," "hidden persuaders." And, of course,



# WASHINGTON: A LOOK AHEAD

---

advertising has been under fire ever since Eve winked at Adam. Now they see new emotionalism boiling up about safety.

Professional consumer guardians, the Ralph Naders, refer to highway accidents as "corporate-bred trauma," and some people believe it.

**Johnson Administration** has done much to lead people to think the federal government can create the Safe and Sound Society. Expectations have been pricked by LBJ promises. He's not only said, "We should do more to protect the consumer." He's said John Q. must not have "misinformation and confusion" about anything for sale.

But who's to define "confusion."

Some in government suggest consumers are helpless boobs. Some are sure dangers are everywhere. Some spot problem areas and overlook worse perils. Example:

Manufacturers are blamed because 40,000 people were injured by glass doors last year, when a million youngsters were victims of sex offenders, which could leave deeper scars.

**Some criticize recklessly.** Senator Ribicoff and HEW Department's Moynihan charge auto insurers haven't worked for traffic safety. Fact is, insurance companies have since 1922. They set up Insurance Institute for Highway Safety in '55. Each year spend \$50 million for safety.

No respectable businessman wants to deceive or harm customers. He wants as much as politicians to get rid of fly-by-nighters.

**Businessmen know better** than politicians that consumer is king. He must be given what he wants or our whole economic system wouldn't click. That's why consumer confidence in business is so vital.

But as products, services, life itself gets more complex, it appears business faces still more regulation.

**Safety crackdown on natural gas** pipeline industry is in the works, even though safety record shows only about four persons a year die from pipeline accidents.

The Johnson Administration bill would make new Department of Transportation responsible for pipeline safety. It would set federal rules for construction, operation, extension, replacement and maintenance of pipe. Standards to apply even to 200,000 miles of pipe already in the ground.

**Court fight coming soon** over whether National Labor Relations Board has right to make business go along with latest pronoun ploy.

NLRB now sending notices for business bulletin boards where unions are trying to organize. Notices tell all about what constitutes unfair labor practices by management, almost nothing about unfair union practices.

**Expect unions to demand more** medical benefits in upcoming contract negotiations. They'll argue Bureau of Labor Statistics blames increases in the cost of living mostly on the rising payments people make for medical care. Union negotiators won't mention increased employers' payments for medical plans will only add to the push on medical prices.

**Federal Equal Employment Opportunity Commission** chooses paper industry as prime target for forcing racial integration in hiring.

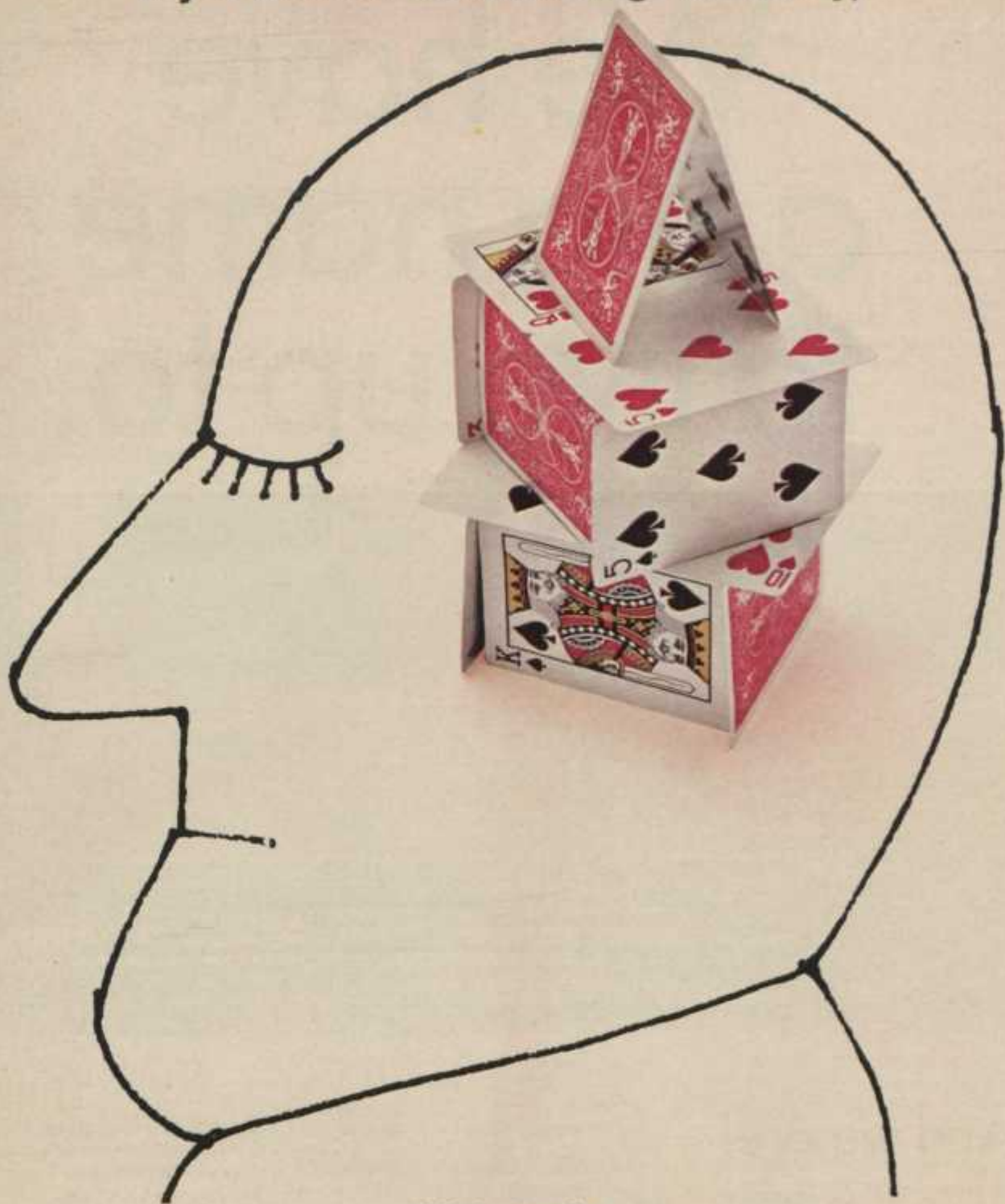
Unofficial order is out at EEOC: No complaints regarding discrimination in paper industry are to be dismissed.

One result: a major clash is brewing between EEOC and another federal agency, the National Labor Relations Board. Some unions in paper industry have insisted on separate labor contracts for whites and Negroes, especially in South.

Whole issue comes to head with new contracts at paper plants. Employers say they'll refuse to sign contracts with unions having segregated locals. Some NLRB officials hope to "get" these employers on unfair labor practices charges.



If you think all metal buildings are flimsy,



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## Jobs for the unemployed

### To the Editor:

Your editorial, "We Can Get Anybody a Job" [January] was very welcome to those of us concerned with the war on poverty. The commitment of NATION'S BUSINESS and of private employment agencies to get a job for anyone willing and able to work can be of great help.

Let us be clear what is involved, however.

To really help the poor as they are, such a commitment must be to take on and train people who can hardly read, whose habits are initially not those we expect from a regular jobholder, who have minor or in some cases even major past arrest records.

They are people who have been conditioned by generations of welfare, decades in the slums and centuries of racial discrimination to look and seem "different."

We must take these people because the alternative is a dole; we must take them in order to prevent the next generation from being describable in the same terms.

I have no doubt that in our present prosperity American business has a job for every unemployed person who is just as nicely qualified as those who are currently employed.

But this does not describe very many of the current poor.

If business is really to make a commitment to help end poverty in the United States, it must do far more than employing the currently qualified and motivated.

It must take people as they are and, without moralizing, help us change them to people as they must be, if they are to hold steady gainful long-term jobs.

Increasingly, business is doing just that.

For example, in the Opportunities Industrialization Center projects in Philadelphia and elsewhere, the JOBS and JOBS NOW projects in Chicago, the Adult and Youth Employment Project in Detroit, business is making a commitment to employ the hard-to-work-with

and to stick with them. I hope that with your assistance we can make this a nationwide movement.

SARGENT SHRIVER

Director  
Office of Economic Opportunity  
Washington, D. C.

### To the Editor:

Since we're in the business of selling training to individuals and industry, we'd be in deep trouble if we'd made the statement that "We can get anybody a job."

But we're delighted to see a magazine of your stature saying this. Thanks for the very fine article.

WILLIAM G. TAYLOR

Public Relations Director  
International Correspondence Schools  
Scranton, Pa.

### To the Editor:

As the owner of a private employment service, I wish to thank NATION'S BUSINESS for "We Can Get Anybody a Job."

Thank you for your kind words in behalf of our profit-making, capitalistic industry.

CAROL SPEER

Owner  
The Carol Speer Placement Service  
Houston, Tex.

### To the Editor:

Your article "We Can Get Anybody a Job," and the editorial, "Too Late" [January], are too good to

present only to readers of your informative magazine. Every member of Congress should read them.

GORDY E. LOFTIN

Resident Manager  
United States Pipe and Foundry Co.  
Burlington, N.J.

### Why job count helps

#### To the Editor:

Regarding "America's Poor: Where They Can Get Jobs" [September, 1966], it was my pleasure and privilege to testify in detail on this subject before the Joint Economic Committee of the Congress on May 17, 1966. At that time, I reported to the Committee that the U. S. Employment Service and the affiliated state employment services with the technical collaboration of the Bureau of Labor Statistics had completed a sizable pilot program on the collection and analysis of job vacancy information, and were midway into another year of experimentation. This test run was conducted in 15 major metropolitan areas, which together accounted for close to one fourth of the country's nonfarm work force.

Although our experimental program is not yet complete, findings thus far indicate that it is technically feasible to collect job vacancy data from employers, and that this information has many important applications in alleviating manpower imbalances.

This is particularly important at the present time in view of the labor stringencies which exist in many occupations in certain areas throughout the country.

Job vacancy data could provide a much more complete picture of the current job market situation in local areas and thereby enable the public employment system, through its local offices, to provide more comprehensive services to both job applicants and employers. A broader

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## Business opinion:

knowledge of job opportunity is essential for finding sufficient jobs for the unemployed and the underemployed as well as for the counseling and guidance programs of the schools, and for the guidance of the various job market intermediaries including the public employment service.

With respect to worker retraining, the manpower legislation which was enacted during the 1960's, and which has already contributed so much to correcting some of the nation's manpower imbalances, requires a detailed knowledge of the job market for specific occupations in order to gear training programs to available job opportunities.

Job vacancy information can be most useful in meeting this requirement and in the design of improved programs for training workers with obsolescent skills, those who must upgrade their skills or those who have no skills at all.

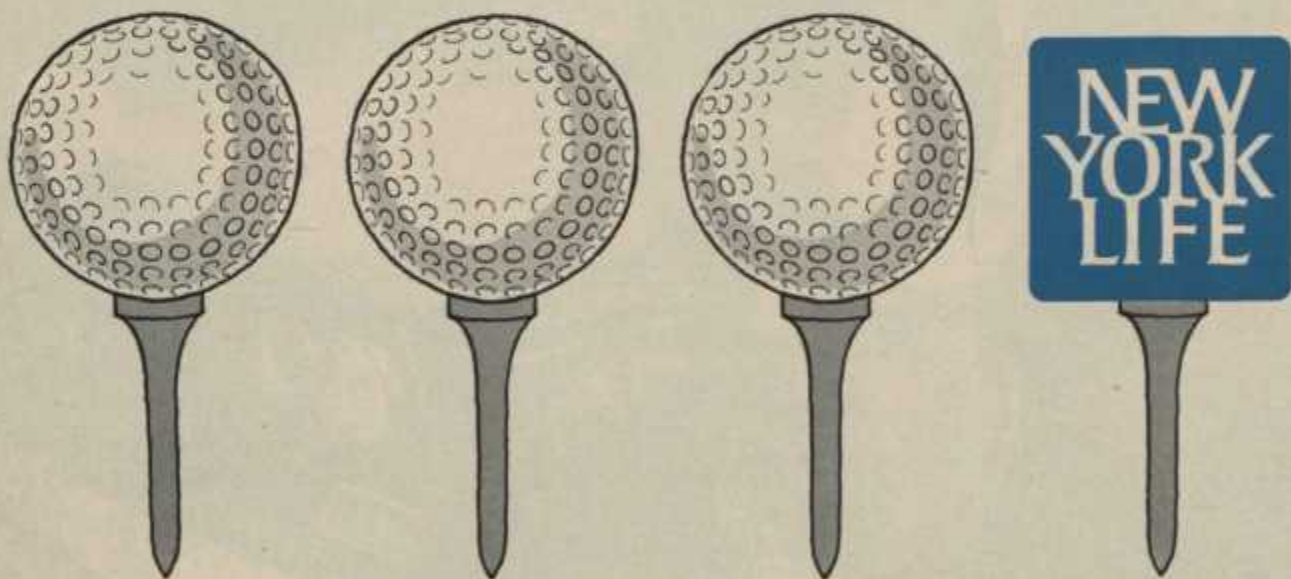
Not only is job vacancy information important to job market intermediaries, such as the public employment service, but the collection of such information on a regular basis over a period of time can also be very useful to employers with respect to their corporate manpower planning. By enabling the employer to compare his manpower needs with those existing in other industries in the area and in other parts of the country, he can see which occupations are in short supply and can begin to take steps to alleviate these shortages before they become so acute as to impede work schedules or increase labor costs.

In view of the still-heavy manpower demands stemming from Viet Nam as well as our expanding business economy, the need for specific information about labor demand and job shortages, in specific areas, occupations and industries grows ever more insistent. On the basis of our experiments with the collection and use of job vacancy data over the past two years, we believe that such information can help identify manpower problems and shortages as they emerge. Such information would also be useful as an indicator of actions needed by both employers and the government to facilitate the elimination of manpower bottlenecks and to insure the effective development and utilization of the nation's human resources.

FRANK H. CASSELL  
Director  
U. S. Employment Service  
Washington, D. C.



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**"I paid a little more to get 'Jeep' 4-wheel drive... but it's the best investment I ever made."**



**says William Murphy, of Bristol, Rhode Island.**

"My business associates were skeptical, last fall, when I decided on the 'Jeep' Gladiator instead of the other pick-up trucks we looked at," says William Murphy of Bristol, Rhode Island. "They weren't sure we'd use 4-wheel drive enough in our fuel oil business to pay the extra money for it."

"Three weeks later, that Gladiator paid off in a spectacular way."

"Art Mackie, one of our biggest customers, called late one afternoon. Like

most of our customers the blizzard caught him by surprise. He needed a delivery to keep his plant going that night. And he needed it fast."

"We sent out our last oil truck. The roads were snow-packed and slick as ice. Going down the hill on Metacom Ave., as our driver tells it, the whole rig slipped slowly off the road and down into the gully. Wham!... It looked like Art would have to shut down."

"I never used a pick-up truck as a

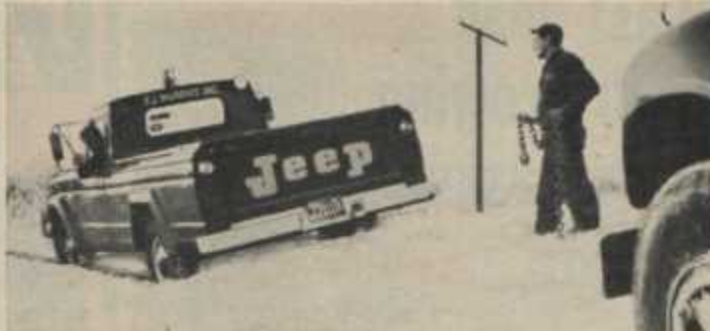
wrecker before. But when I arrived to get the driver, we decided to try. I put the Gladiator into 4-wheel drive low and went down into the gully. After a few unsuccessful tries the tanker began to move. Let me tell you that was an amazing sight: our little 5000-lb. Gladiator pulling a 36,000-lb. oil tanker up that snow-packed hill. So Art got his oil, and he's been a big booster of ours ever since."

"That winter the Gladiator earned its keep in a lot more ways. When the snow





"A while back, 'Jeep' 4-wheel drive really paid off. Art Mackie needed oil in a hurry and...wham! our last tanker got stuck in a gully."



"I shifted into 'Jeep' 4-wheel drive and backed down into the gully. Going from 2-wheel to 4-wheel drive is easy as turning on my lights!"



"Finally the tanker began to move. What a sight: our 5000-lb. Gladiator pulling a 36,000-lb. oil tanker up that snow-packed hill."



"My customers always count on me to make any delivery in any weather."



"On the road, the Gladiator handles like my family car, only more comfortable because there's more room."



"That's our boat. No problem getting this baby afloat when we use the Gladiator."

in a customer's driveway stopped a delivery we'd plow it out quickly with the Gladiator. On cold mornings, we'd use the Gladiator to tow-start even our heaviest trucks. Actually I use 'Jeep' 4-wheel drive only 2 or 3 times a month. But my customers always count on me to make deliveries anywhere in almost any weather. "But it's not just a brute, either. On the highway it handles as sweet as my wife's car. I just flip a lever and shift in and out of 4-wheel drive at any speed. And that

V-8 engine gives us more power than we actually need.

"My wife and I discovered it's terrific for our boating too! On weekends we throw a picnic in the back and drive our boat trailer right across the beach to the water's edge. No problem getting the boat afloat with this baby.

"For my money, the Gladiator is the best darn

truck on the road...with that 'Jeep' 4-wheel drive it's so versatile it's like having two trucks instead of one."

**KAISER Jeep CORPORATION**

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# Executive Trends

- Who needs money?
- Site-switching made easy
- A \$20 billion solution

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Send flowers, rent a car, pick up a mink for the wife, dine out, go fishing, have your portrait made, fly and pay later, rent a tux or have the dry cleaner take the soup stains out of your tie.

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It works at selected restaurants in all 50 states, and in 19 countries abroad. Among them: Focolare's in Acapulco, Restaurant de la Tour Eiffel in Paris, the Taj in New Delhi, Suehiro's in Tokyo and La Barraca in Madrid.

## How to switch sites without loss

"A funny thing happened on the way to the office," a company official relates.

"We lost half the help."

He was describing the grim experience his firm had when it

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## To be healthy —at 40 plus

Digging your grave with a knife and fork?

Lots of executives over 40 do, the doctors claim.

But that's not the only hazard they face, UCLA experts say. Here's a rundown on some other perils:

- Too much sleep—More than eight or nine hours a day is apt to sap your energy. Your circulation gets sluggish from all that rest.
- Too many pills—Analgesics, pep pills, tranquilizers and laxatives are gulped far too often. Perhaps one



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## EXECUTIVE TRENDS

*continued*

man in 100,000 may have an actual motor disability that causes irregularity.

- Too much alcohol—Life may begin at 40, but not as a barfly. Ability to handle liquor tapers off (sometimes drops sharply) with middle-age.

But calories are the most common calamity. Executives in the 40 to 55 bracket should eat a full one third less than they did at an earlier age.

"How many really fat men do you see," they ask, "who are over 60?"

### How to tackle a \$20 billion problem

Joe Btfsplk, the accident prone epitome of the jinx in the Li'l Abner comic strip, has his counterpart in industry. A small percentage of any firm's employees always piles up a big share of the mishaps.

Now studies show that absenteeism—which costs business \$20 billion annually—shows a like pattern. Typically, less than 25 per cent of the help accounts for more than half the absences, one expert reports.

You can spot the chronic absentees early. Dr. Frederick J. Gaudet, Stevens Institute of Technology, said at a conference sponsored by Coricidin division, Schering Corp., the New Jersey pharmaceutical firm.

Employees with a high rate the first year or two on the job will still be absent often 10, 15, or 20 years later.

### What's the trend? Toward greenbacks

Just offer money.

That's the best bait if you want to land an able executive, one recruiting firm contends.

Womb to tomb security has lost its lure, Cadillac Associates, Inc., reports. So have guide-line wage hikes, programed advancement and other standard fixtures of big corporations. Result: An exodus of top and middle managers—from the giants to smaller firms. They sum up their reasons like this:

"Never mind the fringes. Just offer money now and the chance to advance at a pace that will match our ability."

How about loyalty to the firm?

It's only skin-deep, Cadillac President Lon D. Barton says.

"In today's roller-coaster market, we find practically any executive will switch for \$2,000 to \$5,000 more than he's making now."

### Bulls and bears, at it again

"Second floor: Ladies' dresses, lingerie and market reports."

Don't be too surprised if you step into the elevator and get hit with that message.

It's a sign of the times.

On Wall Street observers note renewed public interest in buying stocks.

In '67, at least six major department stores plan to run investment schools—offering talks, films, slides, pamphlets—the New York Stock Exchange reports.

Merchants find them drawing more and more floor traffic.

### Cheer up, you're in clover

We're richer than we think. In fact, one-third richer.

That's what Michigan University's Survey Research Center reports.

Americans work far more than our official statistics give them credit for. After they leave the office, they go home, grab a hammer or saw and perform, countless "do-it-yourself" chores.

Moreover, they give many hours to church work and charity, and study to improve their education.

None of the results shows up in the gross national product—the official total of goods and services Americans produce. If they did, GNP figures would shoot up more than 30 per cent, SRC says in a new study: "Productive Americans."

### Your personal pipeline to Washington

Want the lowdown on what Washington's up to? Just dial area code 202, then 737-8880, any time of the day or night.

You'll get a three minute, recorded summary of what Congress is doing, or plans to do. Also what LBJ hopes it will do. The information is updated daily, or oftener.

It's a service of the Chamber of Commerce of the United States, called Washington Dial. Launched last May, it's fielded more than 13,500 calls.

At times, the public's rung the phone off the hook. The Chamber just added more lines to handle the traffic.

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And from here on in, we won't be answering to the name U.S. Rubber either.

**UNIROYAL**



# Why choices narrow for the politicians

BY PETER LISAGOR

The anonymous authors of Administration prose had trouble finding the precise phrase with which to describe the most desirable tempo of the Great Society in the year ahead.

Unlike Senate Majority Leader Mike Mansfield, they could hardly suggest it was a time to "Stop, look and listen." The White House flack who portrays the Administration in terms other than ones of forward movement, upward thrusting and outward reaching is simply violating the basic canons of his craft, not to mention incurring the displeasure of his boss. It may be all right for Mansfield to tell the Ninetieth Congress that "we must tighten up and survey legislation approved in the past two years." For President Johnson to say that it might be useful to let the national motor idle awhile would be almost as incredible as if he proclaimed the Great Society unworkable and proposed its repeal. His credibility would certainly take a fresh shellacking, and most Lyndonologists would understandably conclude that he had thrown in the sponge for 1968.

*Mr. Lisagor is the White House correspondent for The Chicago Daily News.*

Faced with the requirements of their business, the authors churned about for a descriptive phrase that would satisfy the President without doing violence to the facts as reflected in the budget. In a lapse of memory, one writer thought the proper words with which to describe the pace of the domestic program's movement were "deliberate speed." Men in cubicles throughout the White House turned white when they saw the phrase, remembering in what disrepute it had fallen since it was first used by the Supreme Court in the historic school desegregation decision of 1954. It had come to be associated with a feet-dragging gradualism, and this was not what the Great Society's designers had in mind.

The phrase was stricken with calculated haste, and in due course, the President said in his budget message that he would press forward on the home front at "a controlled and reasoned pace." Those words conveyed an impression of prudent movement. What they concealed was that the President's margin for maneuver has narrowed, and therefore he has to proceed with caution.

Whatever the rhetoric of incumbency demands in the way of claims, boasts and promises, the fact is





## TRENDS: WASHINGTON MOOD

that the President has entered a period of consolidation. In the frontier terms that he likes, he has reached high ground, short of provender, a bit winded and surrounded by the enemy. No new directions seem presently available to him. Hence, it is reasonable to expect that the President will work at the tasks of getting his wagon train in better shape for the long road ahead.

In political terms, this means rehabilitating the Democratic Party through a restored national committee and a more sensitive response to the needs of regional leaders. He gave Chairman John Bailey, the Hartford, Conn., pro, the nod to beef up the national committee's staff and to attend to other defects in the organization. But many Democratic spokesmen out in the boondocks say that not much will really happen to the sagging morale and spirit of the party until Mr. Johnson adds to his White House staff someone with political savvy who can recognize a national committeeman when he sees one and knows how to apply balm to the deep wounds inflicted during the 1966 Congressional elections.

In Congress, the President faces a fractious, slightly mutinous majority. House Speaker John McCormack is a beloved old warhorse; but at 75, he has lost his grip. In the Senate, Mansfield is also beloved by his troops, but shrinks from whip-cracking and displays an imperturbable independence from many lines of the President's policy, which makes him a dubious leader.

In the President's priorities, the goal of achieving greater cooperation with the Soviet Union and the communist countries of Eastern Europe ranks high, probably second only to liquidating the war in Viet Nam successfully. But unless he recovers effective control of the Democratic forces in Congress, he will find himself thwarted and frustrated in seeking a wider détente, the word the diplomats favor to describe the easing of international tensions.

For example, the President and his chief advisers feel that the so-called East-West trade bill could knock a gaping hole in the Iron Curtain by giving the Soviet bloc countries an alternative to almost complete reliance on the Kremlin. But the bill was not considered in the Eighty-ninth Congress, and Chairman Wilbur Mills of the House Ways and Means Committee is said to be opposed to it and far from anxious to consider it any time before late summer. The President seems helpless to goad Mills into action, and some observers doubt that, even if the Arkansas Democrat were to change his mind about trade with the Red bloc, the House would accede to the White House desire.

Most Republicans in Congress, plus many Democrats, dispute the wisdom of promoting an accommodation with the Russians at a time when Moscow is picking up an increasingly large share of the military and economic aid going to North Viet Nam.

If he appears stymied in dealing with the Soviets,

the President has no apparently greater latitude in relations with the Allies in Western Europe. The French remain openly at odds with U. S. policy, the West Germans have begun to assert a more independent line and revive their earlier attempts to get cozy with De Gaulle, and the British have sued once again for membership in the Common Market, a course which will require London to prove that it is not acting as an agent of Washington.

Thus, even in foreign-policy terms, the President's options have become fewer and he can only consolidate U. S. positions within narrow limits, especially insofar as Europe is concerned, East and West.

If there is any solace for the President in the present circumstances, it is that his opposition is equally burdened by great problems, individually and collectively. Michigan's Gov. George W. Romney, still considered a front-runner for the G.O.P. Presidential nomination in 1968, has the problem of avoiding black-and-white conclusions about such crucial issues as the Viet Name war without seeming indecisive or uninformed.

For reasons of his own making, Romney gave an early impression that, after due deliberation and study, he would come forth with his own blueprint for success in Viet Nam. This would have been a triumph of coherence in a situation as murky, ambivalent and unstable as Viet Nam. Having discovered this fact somewhat belatedly, Romney now must weave and bob on the issue inasmuch as he wisely declines to become starkly labeled as either a dove or a hawk. Out in front, he is a target for the rest of the pack, led by former Vice President Richard M. Nixon, whose chief problem is to persuade his party that he is not track-worn and stale.

Many Republican leaders say that Nixon is the odds-on choice of the party stalwarts, who are grateful for his yeoman support in the campaign last year, who believe he can hold together the conservative and moderate elements in the party, and who think that after his squeaker loss to John F. Kennedy in 1960, he deserves another crack at the Presidency.

However, these same leaders are quick to say that Nixon is too much like LBJ as the complete politician, and therefore would not offer him as tough a race as a Romney, who projects a candor and conviction that the G.O.P. needs next year. The other potential candidate at this writing, Sen. Charles Percy of Illinois, is quietly firing off press releases on every subject he can grab hold of, in a wholesome disregard of the fusty custom that freshmen should be seen and not heard. But Percy risks the disfavor of his colleagues for the same reason that Democrats look with a certain reserve upon Robert F. Kennedy; he seems to be running too hard, too soon while protesting that he is running at all.

So, in sum, they all have their problems of pace. Each can afford to play a waiting game provided he doesn't wait too long. As for the President, he really hasn't much choice other than to move along at a controlled and reasoned pace, consolidating his gains and his forces, and hoping that events play into his hands.



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And Avis' share is getting bigger. (Based on the latest figures from 26 major airports.)

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The trend is clear.

If Avis isn't stopped, we'll be No.1 by 1970.



## We can't win a war without it

BY FELIX MORLEY

More implications than appear at first glance are involved in the 3.3 per cent increase in the cost of living officially admitted for last year.

With the dollar depreciating at that rate, argument against a comparable rise in both wages and prices is, of course, blunted.

We are assured by the Bureau of Labor Statistics that the 1966 deterioration was exceptional; that a loss of not more than 2.5 per cent in purchasing power is anticipated for the current year. That would be no great improvement, even without addition for credibility gap. Certainly there is nothing in the budgetary picture, nor in any of the Presidential messages to the Ninetieth Congress, to encourage optimism as to the health of the dollar. The best that Mr. Johnson can say on this score is that in other countries inflation is even more pronounced.

• • •

Few countries in a more critical financial situation, however, are straining their resources to lead the world in armaments, space leadership and subsidized social uplift. It is not imperative for them, as it is for us, that their money should have general acceptability. Brazil, for instance, can struggle along even though few have much confidence in its paper cruzeiro. But the dollar, much more so than any other currency, is an accepted medium of international exchange.

When foreigners lose faith in the dollar, they also lose faith in the United States.

Not unconnected with dollar depreciation is the fact that 1966, for the first time in recorded history, showed no addition to the monetary gold stock of the western world.

Production of the precious metal increased. But the gain was more than drawn off by what can only be described as hoarding, whether in the form of coin, medals, bullion or jewelry. Flight from inconvertible paper money, not excluding the dollar, became more pronounced when the government of South Africa recently warned that this leading producer

may have to curtail its output unless the American-controlled price of gold is raised. A more insidious symptom of impending financial difficulties is the absence of any real improvement in the adverse balance of payments situation. During 1966 our normal commercial export surplus was down, providing relatively little offset to the uncompensated outflow of dollars for overseas military expenditure and foreign aid. The result is a cheapening of the dollar in those countries where careful management has made the local currency more dependable. So foreign holders,



*Production of gold is up, but it has been drawn off by such hoarding that its stock in the West is now static.*

especially the hard-headed French, call on their Central Banks to trade these "Eurodollars" for our ever dwindling reserve of gold, now reduced to a point where it could no longer cover all the potential claims against us.

High interest rates in the United States have somewhat softened the balance of payments problem, by drawing dollars back for profitable investment here. But that partial remedy has been costly for American business and if rates come sharply down "hot money" will flow out again as swiftly as it flowed in. So the Secretary of the Treasury calls upon other governments to see what can be done towards "an international disarmament" of interest rates.

Such palliative efforts, however, will not restore

*Dr. Morley is a Pulitzer Prize-winning former newspaper editor and college president.*



## TRENDS: STATE OF THE NATION

the diminishing vigor of the dollar. And it is now generally recognized that this cannot be done by monetary manipulation alone. Others are unlikely to help us if we cannot ourselves face up to financial realities. Well-informed businessmen believe a budget surplus is necessary to improve the U. S. competitive position in world trade.

Instead of a budget surplus the Administration has now accepted, both for the current and the coming fiscal year, deficits of astronomical size, even assuming that a reluctant Congress will increase taxes as proposed.

• • •

To a large number of foreigners, and by no means only the French, the prognosis for the dollar is, therefore, one of intensifying debility. It is seen as being devalued in fact, if not in law.

Accepted price increases for other extractive metals, notably copper and aluminum, strengthen belief that the price of gold and silver must also eventually rise, if their production is to be maintained. In the case of gold this would give more backing to the dollar, at least temporarily. But Washington firmly opposes any change in the price of \$35 an ounce, as fixed in 1934. Since then the free market price of all uncontrolled commodities has more than doubled in dollar terms.

Controls of this rigidity and duration cause far-reaching maladjustments. And in the effort to ease them, the project of a new international currency, supplementing the feeble dollar and even weaker pound, is now much to the fore. Without the proposed Collective Reserve Unit (CRU), a decline in "international liquidity" is anticipated by monetary pessimists, with curtailment of world trade augmenting domestic recession, as in the early Thirties.

The French, however, emphasize that without linkage to gold the CRU will have no more long-range acceptability than the pound or dollar. Units of diminishing value will not be strengthened by the flimsy backing of another paper unit. What is necessary, it is argued, is the solid support of gold, the intrinsic desirability of which is attested by the very hoarding that now diminishes its monetary use.

For that reason, and doubtless also to contest American financial dominance, the De Gaulle government is stepping up its campaign to revalue gold, of which it now has a good deal more per capita than we do. An interested observer of this maneuvering is Russia, where gold production, though a carefully guarded secret, is known to be large and increasing. High among the factors bringing France and Russia together is this joint interest in the upward revaluation of gold.

So there are sharp political overtones in the world financial picture. They are apparent, for instance, in the French request that the Common Market countries be given a collective vote, and veto power, equal to that of the United States in the deliberations of the International Monetary Fund. The argument

is based on the fact that the gold reserves of the European Economic Community now exceed those of the United States.

Evidently the EEC, under French leadership, is now moving cautiously towards political unity, in monetary and other matters. Since Chancellor Kiesinger came to power in West Germany, with Socialist backing, this trend has become more pronounced. Emergence of the EEC as a "Third Force," as cooperative with Russia as with the United States, is now unmistakable. The unresolved issue is whether London will, or can, loosen its close affiliation with Washington in order to enter the Common Market.

• • •

A too prevalent American idea is that our enormous military power now makes it unnecessary to consider the differing ideas of others. Thus, in the opinion of Representative Rivers of South Carolina, one of the most bristling of Viet Nam hawks, we should fully unleash our bombers and tell foreigners who would oppose to "go fly a kite."

It should first be realized that kites are already flying in many foreign capitals, trailing clear messages for all Americans with eyes to see. They warn that wars, as distinct from battles, cannot be won in enduring fashion by insolvent nations; that in the last analysis, armament can be no stronger than the currency that supports it.

In the old fable the mighty Achilles was invulnerable except in the heel by which his mother held him when she bathed the infant in the River Styx. Finally it was an arrow in that seemingly unimportant spot that slew the conqueror of the Trojans.

Today the Achilles heel of the United States is an infirm dollar. And it is to this neglected weakness that our attention is helpfully called by the statement that: "All of us should give the highest priority in 1967 to closing the gap in the balance of payments."

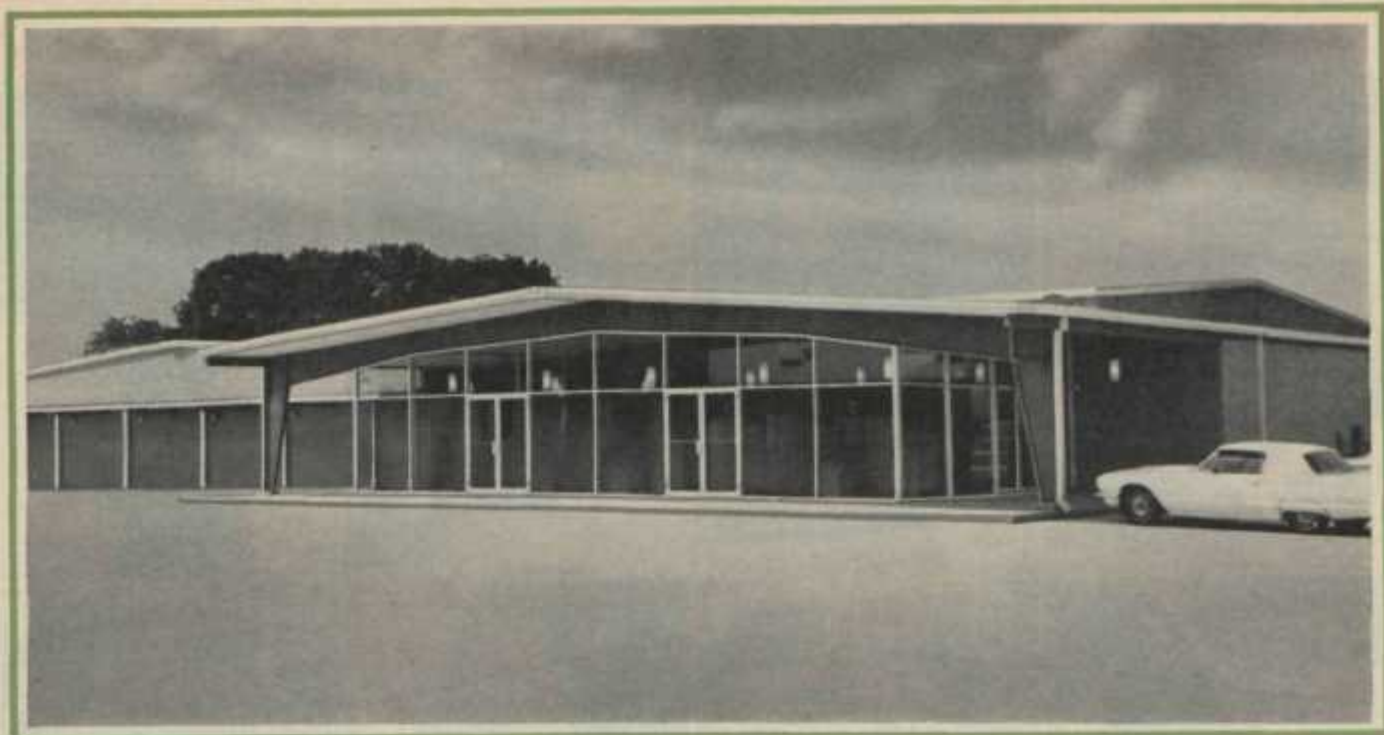
The speaker is no habitual critic of the new economics, or of increasing governmental authority. He is Robert V. Roosa, the expert who managed the nation's monetary problems as undersecretary of the treasury, first for President Kennedy and then, until his resignation, for President Johnson.

But closing the gap, as Mr. Roosa knows, means more than stopgap measures, like doubling the "interest equalization tax" on most foreign securities sold in this country. Such punitive steps encourage counteraction against American investments abroad and the combination will not improve international liquidity.

The original interest equalization tax was scheduled to expire this summer. So the proposal to double it now is therefore the more disconcerting. In the words of Secretary of the Treasury Fowler this discriminatory tax is needed "while pressure on our balance of payments continues."

This pressure, however, is not of foreign origin. An adverse balance of payments is simply the excess of funds flowing out of the country over those that are coming in. And it is Mr. Fowler's Administration that sponsors the excessive outflow responsible for the pressure that rightly concerns him.





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## GOODYEAR



# You can be righteous but not right

BY ALDEN H. SYPHER

The general assembly of the National Council of Churches, in session in Miami Beach, issued a policy statement on the war in Viet Nam.

It criticized President Johnson for enlarging the war, and called for an end of bombing in North Viet Nam.

In another outburst of righteous wrath, a dozen clerics who have attained positions of leadership in a representative cross section of religious organizations reached agreement on an indictment of the President's conduct of the war, including a question of his good faith. Their accord on this was complete, even though their churches never have been able to agree on many other things, among them a single version of the Bible.

These men issued an open letter, which means they addressed friends, foes and neutrals alike, in which they said:

"Any moral superiority of purpose the United States may possibly have had a few years ago has been obliterated by its cruel use of indiscriminate weapons and overwhelming firepower."

They challenged the President's word when they said: "How can your call for negotiations and a peaceful settlement be taken seriously when the United States forces escalate their actions at a time like this? The world looks upon this as an act of bad faith."

"This is serious, Mr. President, but not nearly as serious as the lack of trust in your own leadership which is spreading through the American body politic."

• • •

Still another group of clerics announced they could not fight in this war, and said on a nationwide television news program they would set up a chain of places across the land to advise young men on how to avoid fighting for their country.

While such actions as these do not have unanimous approval, even within the various faiths, they must

be taken as somewhat representative. There were dissenters to the National Council's policy statement, but the majority of the assembly approved it.

Who are these men to be advising the commander-in-chief on strategic matters, to be questioning the good faith of the President of the United States, to be offering to teach young men how to avoid their responsibility to their country?

By what right do they issue public papers that must bring despair to our wartime President and to the parents and wives and children of more than 400,000 American servicemen fighting a cruel war in a place much warmer than Miami Beach—papers that must have brought an equal measure of joy to Ho Chi Minh?

How many lives of U.S. soldiers and marines would they sacrifice by stopping the bombing of roads, truck stations, warehouses and rail lines supplying and supporting the most vicious enemy Americans ever have faced?

How many more lives would they advise the President to throw away if he were to substitute lesser tools for the "indiscriminate weapons and overwhelming firepower" they condemn?

• • •

Such a right could not be based on knowledge, or even on whatever success they may have attained in their chosen field, at least in reference to war. They and their predecessors have had centuries of opportunity as spiritual leaders and teachers of brotherhood. They have failed miserably to teach men not to make war.

So now, apparently having dealt to the best of their ability with the poor, the downtrodden, the sick, the old and the forgotten, they advise the President on major details of how to make war.

This is an unusual struggle bringing bloody, violent death and disfiguration to young Americans in faraway Viet Nam.

There is no beloved Paris in enemy hands. There are no tales of daring resistance in Norway, Sweden, Denmark and the Low Countries. No bombs rain death and destruction on Hamburg, London, Milan

*Mr. Sypher, a lifelong journalist, is the former editor and publisher of NATION'S BUSINESS.*



## TRENDS: RIGHT OR WRONG

or Brussels. No revered cathedrals lie in smoking ruins in Coventry or Berlin. No poet stirs in men and women a feeling that blood, sweat and tears are the least they can or should give.

Unlike those of the present war, the European battles of 25 years ago brought home with every news bulletin the names of places where our forefathers built civilization as we know it, where they formed our mores and set our attitudes on religion. These were familiar names. Our grandfathers had come from there.

How unlike these names are Quantri, Hue, Camau and Dalat, or even Saigon, Hanoi or Danang. How ridiculous is the little dandy Nguyen Cao Ky when compared with a Churchill. How completely does the name Ho Chi Minh fail to flush up the anger once energized by the mention of Hitler.

The skinny little men we fight today are pitiful in contrast with the posterized horrors we have fought before. Pitiful—until you remember that these little



*Viet Cong don't let the rules of morality curb them as they wage a savage war against civilians in Viet Nam.*

bags of bones are deadly practitioners of unusual methods of killing in swamps and jungles, and also are skilled in the use of the newest and most overwhelming firepower being produced in the communist world.

They are less pitiful when you remember that their preferred method in war is not to fight soldiers, if that can be avoided, but to murder civilians such as teachers, law enforcement officers, village counselors and other civil leaders in order to disrupt the organization of life across the land.

It's unfamiliar and far away, but don't overlook the fact that the situation today basically is the same this country faced 25 years ago.

The nation is at war.

It is a war against aggression.

It is being fought far from home, partly on the theory that if aggression is not stopped where it starts, we will someday have to fight it on our own land. That theory is debatable, of course. So was Neville Chamberlain's Munich peace pact in 1938.

Perhaps because it is unfamiliar and far away this

war is producing reactions unfamiliar to many Americans, some of them far from those expected in time of war.

Adolescents on college campuses gather to sign letters in which they lecture the President sternly about his conduct of the war, and warn him against the consequences of what they consider his misconduct. Like the preachers, they issue copies to the press.

No doubt some of them would agree with the wag who said: "As horrible as Harvard is, it's still better than Viet Nam."

A news reporter on a tour of Hanoi conducted by communist officials reports civilians killed and dwellings wrecked by what his hosts describe as American bombs.

If that is entirely so, it hardly may be considered either new or news.

If people persist after warning in living alongside military targets in time of war, some get killed. It's that simple. It's happened before. It began more than 50 years ago with the zeppelin raids on England.

Yet somehow this situation is turned to imply that the President has lied to the world by saying we are not killing civilians. The record shows no such statement. He has said that U.S. forces are directed to bomb only military targets.

The men in clerical robes who told television audiences of their plans to help young men dodge the draft overlook the presence of machinery for conscientious objectors—and the fact that many are serving well in noncombat posts without compromising their consciences.

• • •

A group of philosophy teachers and students in Eastern colleges pass a resolution deploring "any attempt to settle the fate of Viet Nam by purely military means" and opposing "further escalation of the war."

Thus another group without responsibility advises those with it how to conduct war.

Most of these positions are strikingly similar to the official position of the United States. But we fight only one side of the war.

The murderers and pillagers came from the North to force communism on the South Vietnamese. Not from here. We tried to help the South stem the onslaught by sending military advisers. When Hanoi further escalated the war this nation sent troops to help the South prevent the Communists from overrunning their land. Hanoi continued to escalate until we had committed more than 400,000 men to avoid losing the men we already had in the jungles and swamps, and also to avoid losing the war.

It's a filthy and treacherous war. No one on this side wants it. No one likes the way it is being fought.

And no one could want to end it more than President Johnson. As President and commander-in-chief he bears the whole responsibility for committing men to what may be death.

The preachers' point that war is not moral is sound, of course. Their stand against war is to be commended. But just now their timing is all wrong.

We're in one. So are they.



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# Now your taxes train pickets

Federal poverty program aligns itself with labor leaders to carry out union objectives

It happened at a department store in Fresno, Calif. Your taxes helped pay for it. What's more, it might happen again—at your place of business.

Fifty pickets suddenly showed up at all four entrances of the Fresno store. Some wore sweaters with the words "Black Power" emblazoned on them. Some carried signs proclaiming, "Black Power says: Huelga, Baby, Huelga." (Huelga is Spanish for "strike.")

For six hours the pickets shouted outside the store and jostled customers. Standing nearby, their leaders—paid from federal funds—egged them on with "Let's hear it!" and "Sound off!"

What was this government-supported demonstration all about? The pickets were trying to get the department store to take some items off its shelves—items on an AFL-CIO boycott list.

Sixteen of the pickets had come up from a federally supported training center in the Watts section of Los Angeles and joined hands with

union members. It was part of their official war on poverty training.

The incident is a pointed example of the way unions have been infiltrating poverty programs across the land, eventually dominating them and twisting them to their own purposes.

These highly organized efforts to indoctrinate the poor in labor union philosophy and activities suggest a growing nationwide allegiance between unions and the Office of Economic Opportunity, the agency that runs the federal war on poverty program. Many millions of dollars of tax money are employed in this effort directed by union and ex-union officials turned bureaucrats.

## **Taxpaid picketing**

The Fresno picketing was part of the trainees' instruction in "non-violent means to reach economic gains," explain officials of the California Center for Community Development, a federally backed group that co-sponsors the Watts Social Action Training Center.

SATC itself has a direct \$151,000 grant from the federal Health, Education and Welfare Department's Office of Juvenile Delinquency and Youth Development. That grant, covering a 15-month period, started last August.

SATC was developed supposedly to help prevent more outbreaks in Watts, the scene of bloody riots in 1965. Oddly, most of the trainees in SATC are from outside of Watts.

The program seeks out potential leaders, 16 to 24 years old, and enrolls them in its three-week "intensive social action orientation program" or its full 10-month "social action intern program." Upon graduation, the youths are sent out "to hook up with resources to begin their own action efforts." While in the program each trainee gets about \$200 a month.

The Center lists its curriculum as including: "Community analysis, the philosophies and methods of social change, the role of the social actionist, causes of poverty and delinquency, community dynamics,



# Now your taxes train pickets

continued

use of resources, community development, methods for working with individuals and groups and extensive follow-up in the field."

This includes teaching the youths how to organize and participate in picket lines and demonstrations. The boycott picketing of the store in Fresno, 250 miles from Watts, was an example of a "follow-up in the field."

Six SATC staffers are supplied by its parent group, the California Center for Community Development headquartered in the mid-California town of Del Rey. CCCD is supported by \$280,000 in federal war on poverty money and some \$43,500 siphoned from California school and welfare funds.

## "Affluent businessmen" cited

An insight into the thinking behind the CCCD, which was established nearly two years ago with a grant from the Rosenberg Foundation, can be gleaned from some statements in the CCCD's own "Review of Functions and Activities":

- "The existing decision-making process in almost all local communities remains dominated by the affluent businessmen, old-name families and professional groups. These people have the financial resources and the sophistication to employ competent persons to achieve their goals.

- "By contrast, the Poor [CCCD always capitalizes the word] lack money and organization. The Center for Community Development's role is to provide the technical assistance to the Poor—to help them become their own spokesmen."

- "The Center will make every effort to meld the Poor with the professional, the academic with the applied, the philosophical with the practical."

- "The Center is still in its infancy. But while it seeks to establish its own identity, the Center is aware that external forces examine and label it with their own identification tags.

- "To some it is an organization justifiably dedicated to the befriending and mobilizing of the Poor; to others, it is a ruthless and radical monster at loose to overthrow the Establishment [also always capitalized] in every community."

Commenting on its attempts to get funding, CCCD reports, "Private foundations appear to be more reserved than the government regarding the philosophy and programs of an organization like the CCCD."

Fresno-area Congressman B. F. Sisk last year tried to hold up the CCCD grant from the federal Office of Economic Opportunity, but to no avail.

He suspected that persons participating in the project would be involved in farm-labor strikes.

Rep. Sisk, however, did exact a promise from OEO that none of the money would be used in a labor dispute.

## Union ban scorned

CCCD has been pressuring the OEO to lift its ban against labor union activities. Professorial-voiced Edward P. Dutton, CCCD's overall director, calls the ban "overly restrictive and detrimental to the aims of the war on poverty and the maximum involvement of the poor to better their conditions." He adds that "the central issue of poverty" is wages.

Meanwhile, CCCD has continued to steep itself in projects involving unions, particularly the AFL-CIO United Farm Workers Organizing Committee of publicity-minded Cesar Chavez.

President Carl Samuelson of the California Council of Growers flatly charges the CCCD with trying to organize farm workers into labor unions. He is disturbed that the project is supported by public funds.

In an interview with Rich Freeland, hard-digging reporter for Fresno's KFRE radio and TV stations, CCCD director Dutton—a former "social planning consultant" in San Francisco—admitted: "We work with people to get unionized if that's what they decide that they need. Our first commitment is with the people; a smaller commitment is with the funding source."

An example of CCCD activities among farm workers is its project in the melon and alfalfa area of Firebaugh and Mendota. The CCCD, with help from the California Migrant Ministry, began a farm worker "group" among the Mexican-Americans in the area in the fall of 1965.

From the beginning the CCCD worked with Cesar Chavez's union on organizing the workers.

Union speakers were brought in to address the farm workers group and members were transported to Delano to study how Chavez's union was conducting its grape-pickers strike and to discuss affiliation with Chavez's union. Finally, last May the group officially joined Chavez's union which, in turn, last August officially joined the AFL-CIO.

The tax-supported CCCD also provides what it describes as "a continual staff service" to Chavez's union. CCCD's training director Chuck Gardinier, was loaned to Chavez's group for more than four months during the Delano strike. He was a principal organizer of the union's public sympathy march from Delano to Sacramento last spring.

Fred Ross, West Coast organizer who was attached to the CCCD through a special grant, also was assigned full time as a training organizer with Chavez's group.

The CCCD provided staff support to the union's summer student project, too.

A project of one CCCD trainee was to help the garbage collectors in Bakersfield, Calif., organize a union and carry out a strike.

## Into welfare unions, too

Another typical CCCD undertaking started last spring when its staff convened a series of Los Angeles meetings among labor unionists, church and social workers and leaders of unions for people on welfare rolls. The result was the formation of a Los Angeles Welfare Rights Organizing Committee. The CCCD worked with this new group to call a convention last July of all welfare recipient unions in the Los Angeles area.

The convention spawned the Los Angeles County Welfare Rights Organization which has solid support from the Los Angeles Chapter of the National Association of Social Workers and the Social Workers Union.

LACWRO in turn developed still another group, a Citizens' Committee for a Decent Welfare System, backed by hyperliberal Walter Reuther's United Auto Workers.

(continued on page 62)





*Caught on film by TV station KFRE are federally supported trainees helping out union pickets at Fresno store. Above, union stickers adorn the office door of the trainees' sponsors, who themselves landed a fat federal anti-poverty grant.*

PICTURES FROM KFRE NEWS



*Edward P. Dutton, CCCD's director, contends that there is nothing wrong in using tax money for such projects.*



*Tim Sampson, the group's executive secretary, has been a driving force in organizing people listed on welfare.*





Students join business panelists at Baltimore college-business symposium. From left: W. Purnell Hall of The Rouse Co.; J. J. Feehan, U. S. Naval Academy; Michael Preston, Western Maryland College; Henry C. Coleman, chairman, Commercial Bank at Daytona Beach, and Joel Barlow, partner, Covington & Burling.

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## YOUTH GETS THE TRUTH

Image-building efforts are straightening out distorted viewpoint some students hold about private enterprise

Business is working overtime and on many fronts to close a "communications gap."

The gap is between what business actually is and the surprisingly distorted picture that more than a few college students have of it.

The stakes are immense. To replenish its ranks, business is competing for a superbly educated and dedicated individual. He may still be as motivated by money as his parents, who lived through a depression. But to a larger extent, his aim also is to do what he can to better the lot of humanity.

Such challenges in business are greater than ever before. Yet, today's college student is often depicted as unenthusiastic about a business career. You're told he thinks the action is in education, or the Peace Corps or in fighting the federal government's war on poverty.

Some articles on the subject misinform. They say that company recruiters are signing up less than their quota of college seniors—without mentioning

that thousands of young men go into the military service immediately upon graduation. Nor do they mention the rising trend toward going on to graduate school.

Nevertheless, corporate leaders and college placement officers alike admit that there is a gap between what business has to offer and what many of today's college students think it has.

And they're moving ambitiously to close it. For instance:

- In city after city, chambers of commerce are holding college-business symposiums, where top corporate officials tell packed banquet rooms of students about the free enterprise system and the rewards and challenges it holds.
- Company after company is sending dynamic recruiters to the campus to tell the full corporate story, to make sure the student knows the firm doesn't just make widgets, but also may work to eradicate pollution, disease, poverty.





PHOTOS: MICHAEL LENZI

Collegians want business answers to national problems. Above, l. to r., are Richard Spirka of Towson State Teachers; Roger Dudik, Baltimore University; Barbara Taylor, Rhode Island College; Robert Munro, Roger Williams Junior College. At right, Mary Helen Lee, College of Notre Dame (Md.) and Philipp Burroughs, University of Rhode Island. Below, Kenneth Berkowitz, Bryant College,



- There's a strenuous effort on the part of corporations and college placement officers to get the student thinking about his career, and planning toward it, early in his academic life.
- Businesses are offering more and more highly challenging summer and part-time jobs.
- Colleges are beefing up their career counseling activities and amassing extensive job placement libraries.
- Businesses are making sure that their recruiting material and advertising copy tell about their exciting new areas of work as well as giving the profit-and-loss statement.

"Business and industry are making a truly strong effort to build a more realistic picture of what they have to offer," a spokesman for the College Placement Council tells NATION'S BUSINESS. The council is the coordinating agency for eight regional college placement associations which blanket the United States and Canada and have as their members college and university place- (continued on page 106)







# *Easier tax paying coming*

Commissioner of Internal Revenue Sheldon S. Cohen  
tells you about new forms, procedures, time-savers

Changes that will save businessmen time and money are in the works at the Internal Revenue Service.

It's still premature to shelve Edmund Burke's observation that "To tax and to please, no more than to love and to be wise, is not given to men." But the 105-year-old IRS and its energetic 39-year-old Commissioner are taking welcome steps toward more businesslike efficiency.

Of course businessmen complain that taxpaying is still far too complicated, that rulings are not always uniform throughout the country and that interpretations are changed in midstream. But IRS is saving businessmen time and money by accepting voluminous information returns in the form of computer tape, rather than truckloads

of paper. It has devised a system to cut down on needless, repetitive audits. It has adopted the accounting profession's team-audit technique to speed up and make easier the audits that are necessary. It has simplified the tax return for individuals, and is experimenting with an entirely new one.

To get the story about these and other changes and predictions about future taxpaying, NATION'S BUSINESS editors talked with Commissioner of Internal Revenue Sheldon S. Cohen.

The interview follows:

**IRS records show that about 37 per cent of all audits result in no change. Doesn't this suggest too many returns are being audited?**

No. But it suggests that we need

better audit selection techniques, which we are developing.

**How do you select a return for audit?**

There are many considerations. It may look like there is something wrong, or it may be the kind of return that is likely to be in error.

We don't audit just for the sake of auditing. Once in a while we take a cross-section sample, to try to find out what the universe of taxpayers is doing. This way we keep track of the kinds of problems taxpayers are having.

About 15 per cent of the tax returns we audit result in refunds. So the audit is not solely a money-raising exercise, it is a purification process. We want to make sure that every taxpayer pays what is due and no more.



We are looking for better selection techniques so we can reduce that 37 per cent no-change figure. It is disturbing to the taxpayer when he has no problem, and it is wasteful of our manpower.

**Is automation helping you decide what should or should not be questioned on a return?**

Oh yes. For example, in previous years, if a return showed very large medical deductions in relation to income, say, it would be pulled out for audit. Let's say a taxpayer's wife is asthmatic and he proves his medical expenses in an audit. With the new automated equipment we can record that on his record, and next year, when the same large medical deduction appears the machine will tell our people, "You asked him about it last year and he gave you a satisfactory answer."

This should end the annoyance of being called in several years in a row to prove a recurring expense.

We used this computer technique experimentally this year—not just on medical deductions—so many thousands of people who might otherwise have been called in weren't.

Since that experiment proved successful, we will be expanding the technique. Ultimately, it should save us from hundreds of thousands of repetitive audits.

**Does this suggest there will be fewer audits in the future?**

Not at all. These two things are unrelated. We have to strive for a desirable audit coverage as our population expands and as returns grow more complex. I'm simply saying our audits will be less repetitive and will zero in on real issues.

**What are the chances a businessman will have his tax return audited?**

Pretty good. Or bad, however you look at it. When you say audited, you know we use two techniques. One is a survey, the other, an audit. So while we audit one out of 20 returns, it is not indicative of how many returns we look at. In the selection technique for choosing the one out of 20, we may have looked at one out of five.

We pick a large sample with certain criteria that we feel would indicate likelihood of audit change, and then try to zero in on the ones which are most likely to have an error, or have an apparent discrepancy or those which haven't been looked at for a long period.

Of course, in some categories of returns we look at greater percent-

ages than in others—we use probability sampling techniques.

**What's your new approach regarding the audits of large corporations?**

We are using a team approach. Formerly we assigned one man to audit a fairly substantial corporation, and two men to audit a giant corporation. But recently we started using the same team approach that certified public accountants use. We appoint a team leader and give him sufficient auditors so he can get a picture of various aspects of a corporation quickly. Where the old audit might have taken months, the new one takes only weeks.

**Businesses can get advance tax rulings on complicated transactions, can't they?**

Yes, and in the last year we have broadened this program. Normally we rule only on applications that are based on a specific set of facts. Because of the volume and the complexity of the situations, we can't rule on hypothetical situations.

But we know that in planning transactions, there are many problems that don't easily crystalize. To find a way to help the taxpayer while at the same time not bog down our technicians, we have solicited the cooperation of the American Bar Assn., the American Institute of CPA's and the Tax Executives Institute for an experiment.

We said to them, if you find a generalized problem that your people are concerned with, and you prepare the requests in a brief, in effect proposing the answer that you think is the right one, we will try to work with you to develop the answers in the form of a ruling or regulation. I think this plan offers a new avenue of cooperation for obtaining more definite answers for business people.

**Mr. Cohen, is it going to be easier for people to fill out their income tax returns this year?**

I think so. First, we have done a number of things to make the form easier to follow.

This year instructions for Form 1040 have been simplified; we have headings to point out quickly the things that are new this year so you don't have to go burrowing all through the material to find out what is changed from last year; and we use the same new bold print style throughout.

We are experimenting with a new form, 1040-Q. Our present tax form

is basically an accounting document, and because of this it's a little ominous to some people. So this year we're trying a questionnaire format that gives instructions at the same time it asks questions; the accounting-style form doesn't allow this.

We've sent the questionnaire to about 60,000 people in eight states, asking them to use it and give us their opinion of it.

**Will this count as their tax return for 1966 income?**

Yes. But they don't have to use the new form; they can still use the regular Form 1040, if they prefer.

We'll know next fall, after we have processed all the returns and tabulated all the opinions, whether people generally like the questionnaire form or not. If a sufficient number do, we will put it into general use. The survey may even offer hints for improving our other tax forms.

But in working up any new tax form you start, of course, with the basic problem that the form must mirror the law. It can't be very simple if the law is complicated, and we do live in a rather complex society.

Just recently we appointed a new chairman of the Tax Forms Coordinating Committee and placed him on my staff. He consults with many business, accounting and legal groups around the country to get their ideas and give them advance looks at some of the forms to make sure we are communicating.

This makes for improvements.

**Mr. Commissioner, if the President's request for a six per cent surtax is enacted, would it be withheld from pay checks? Or how would it be collected?**

This is relatively easy. We can redesign the withholding rate tables the employer uses to take care of this.

**Talking about your automatic data processing system, can business now file tax-information returns on magnetic tape?**

Yes. Of course the tape must be compatible with our equipment. We receive some 25 million taped returns a year. Most are 1099 dividend-payment forms or W-2 tax withholding forms. To a large company this means the difference between a truckload of paper and a few rolls of tape. Receipt of such forms on tape is beneficial to both

(continued on page 95)



# Hospitals, doctors reveal:



*"The red tape is catching up with us now and tangling every action," says Associate Director Laetz (on phone) of University of Michigan Hospital.*

Government red tape is taking its place in the nation's hospitals alongside the hypodermic syringe and miracle drugs.

How much it will entangle hospital care procedures, as the federal government pushes inexorably to blanket every American under some health scheme or another, is the unanswered question that is bringing shudders to doctors and hospital administrators across the land.

And this may be just the beginning. Congress soon will consider new legislation to expand federal medical programs—to cover all disabled persons and to compel doctors to prescribe generic instead of brand-name drugs to medicare patients.

It may also straighten out some confusion in the law and widen the scope of the program in other ways.

The federal "medicare" program—now entering its ninth month of operation—has pointed up some shortcomings which may be magnified as increasing millions avail themselves of its provisions. Already, under medicare:

- Some hospitals are having real financial problems because of the multimillion dollar backup in reimbursement from the government due

to complexity of filing for payment.

- The medical profession is disturbed that its warnings before the law was passed are now proving true. Medicare has intervened as a third party and is interfering with traditional, personal doctor-patient relationship.

- Hospital bills, when they are paid by the government, come in one fell swoop, jamming and disrupting the hospital accounting system.

- Some doctors' practices are affected when they are barred from hospitals for refusing to sign government documents.

- Hospitals are forced to beef up clerical staffs to handle the mounting paper work brought on by the federal program and this cost must be passed on to nonfederal patients and the rest of us taxpayers.

This is a new cost unmentioned or little considered by the politician who pushed through the legislation providing subsidized hospital care for the aged.

Admittedly, any program of this size has built-in problems that will take many months and perhaps even years to unsnarl. This is one of the immense social experiments

of the Twentieth Century. In a number of instances the Social Security Administration, which oversees medicare, is attempting to straighten out confusion. But there are areas where the agency is standing fast and it appears that hospitals and the medical profession will have to live with bureaucracy.

As for the intended beneficiary—the patient—he is totally confused when it comes to reviewing his hospital or doctor's bill to determine what the government is or is not paying.

Despite its maladies, the federal program will be expanded this year if President Johnson has his way. He has asked Congress to extend benefits to 1.5 million disabled Americans under 65 now covered by the social security and railroad retirement systems and even to make free foot treatment available to the elderly.

Additionally, the President has called for a study that could pave the way for the government to pay the costs of all prescription drugs that medicare patients now buy outside the hospital.

Since medicare went into effect July 1, 1966, more than 2.5 million



# MEDICARE'S MALADIES

PHOTOS BY ROBT. BENTON-BLACK STAFF, JAMES CHYNS, BOB FINE-PIA



*Massachusetts General Hospital has had to hire 21 extra clerks to handle the mountain of federal paper work required by new medicare program.*



*Dr. Thomas M. Prescott was barred from performing surgery at the two hospitals in his community because he rebelled at federal medical forms.*

elderly persons have received hospital care at a cost to the taxpayers of nearly \$1 billion. Another 3.5 million Americans over 65 have been treated by doctors under the voluntary coverage portion of the program.

So far, some 6,700 hospitals—with more than 98 per cent of the general hospital beds in the country—are participating in medicare.

Hospital officials agree that the program is a fact of life and are trying to live with it. But many of them, as well as many doctors, are not happy with the administrative strait jacket.

Some of the administrative headaches are merely annoying. Others have placed real economic burdens on the hospitals.

## **Piling up paper work**

NATION'S BUSINESS talked with a number of these administrators. Their complaints follow a common pattern—medicare has spun a web of red tape around doctors, nurses, cashiers and administrators.

Ernest C. Laetz, associate director of the 1,000-bed University of Michigan hospital, says, "With the swelling volume and complexity of

medicare forms, it is a wonder that hospital personnel are still sane. We are surrounded by paper forms, rules and restrictions."

The Michigan institution has had to add five clerical helpers just to cope with the new regulations and Mr. Laetz reports the end is nowhere in sight. The cost of all this, for the most part, must be absorbed by patients not under medicare, he explains.

Reviewing the first six months of medicare at his hospital, Mr. Laetz found a slight increase in patients over 65, a decrease in elderly outpatients and a backlog of \$750,000 in bills not yet paid by the government, due in part to a "morass" of clerical details.

"Lengthy and exacting government forms must be completely satisfied before attempting to collect medicare from the government," the Michigan hospital official says.

At the Michigan hospital interviews report spending an average of 20 minutes just explaining bills to medicare patients. Sometimes the patient is even more confused. One man returned his statement with a check and an indignant note about expensive services. He had

mistakenly added together his running balances.

Most disturbing to Michigan hospital officials is that their motto used to be: "Give the patient care first and ask questions later." That is difficult to carry out now.

Mr. Laetz says, "The red tape is catching up with us now and tangling every action."

## **\$1.5 million overdue**

At the big Massachusetts General Hospital in Boston administrators are faced with the same problems but on a grander scale. Here, they've had to hire 21 clerks just to handle the federal paper work. At the end of six months of medicare, Massachusetts General was holding \$1.5 million in unpaid bills.

Lawrence Martin, associate director and comptroller, says confusion dominates the picture in the outpatient clinics where some 250 to 275 elderly medicare patients stream in daily. The admission procedure has been noticeably slowed and "very loud protests" are being heard from more and more patients, Mr. Martin finds.

A major cause of confusion is whether these patients are covered



## HOSPITALS REVEAL: MEDICARE'S MALADIES

*continued*

by Part A or Part B of the medicare law or both. Part A pays for diagnostic services, while Part B underwrites a doctor's fee as well as services rendered incident to a doctor's examination and treatment of a patient.

So here's what happens, Mr. Martin explains: "We send a report to the insurance intermediary and they change the A's to B's and B's to A's. We never know for sure where the money's coming from."

The Social Security Administration has worked out an arrangement for making emergency payments to hospitals when the reimbursement machinery is slowed down for one reason or another. It reads well on paper. But does it work? Mr. Martin comments:

"The formula presumes that everything's going smoothly. But that's just not so. It's not a realistic formula and it does not supply the money. In the inpatient section alone, we are holding 900 bills right now which haven't been approved."

Despite the confusion and slowdown resulting from government regulations, hospital administrators say that so far they have prevented it from interfering with the treatment of patients. And some hospitals say they have been able to cope with the paper-work jungle of the program to date.

More and more hospitals are computerizing their billing systems but some federal forms must be laboriously typed, one by one, to enable these institutions to qualify for reimbursement. Massachusetts General finally got permission from the government to let it devise special forms that can be run through its computers. The hospital, not the government, is footing the bill.

### "A bureaucratic nightmare"

Harold Hinderer and Jeff Steinert are president and treasurer, respectively, of the American Association of Hospital Accountants. Both men served as consultants to the Social Security Administration and tried to advise the government when the program was being drafted.

They agree with a number of other hospital financial officers that the forms are a bureaucratic nightmare and cry out for revision.

"The lousy form design is inherent in the whole system," Mr. Steinert points out. "The people

who designed these forms had little consultation with the hospital people. A revision is now in order."

In the beginning, hospitals were required to obtain patients' signatures on forms and whip them off to Washington. This played hob with the hospitals' record systems. Whenever a hospital wanted to refer to these forms, it had to contact Washington. Finally this was changed.

In Texas, as in many other states, doctors are seething because they have to sign a special form admitting patients to a hospital and still another form if the patient's stay is extended. Previously, a simple phone call to the hospital cleared the way for a patient's admission.

Doctors take the position this is intervention by a third party, destroying the traditional, personal relationship between doctor and patient. Ray Hurst, executive director of the Texas Hospital Association, told NATION'S BUSINESS this has posed problems in some Texas institutions. He explains a typical situation:

"Suppose a patient is in a hospital for surgery. After 14 days his doctor is required to sign another paper certifying that the patient needs continuing hospital care. The doctor refuses to sign. In time the patient goes home. The hospital needs this recertification to collect from the insurance company. It cannot collect from the patient because he is not required by law to pay. This has happened."

An estimated 75 to 80 per cent of the doctors in Louisiana are adamant on the matter and will sign neither the admission papers nor the recertification document. In some communities 100 per cent of the doctors are standing firm. On Dec. 27, 1966, the Louisiana State Medical Society directed this letter to all hospitals in the state:

"The House of Delegates of the Louisiana State Medical Society has recommended that its members refrain from signing any certification or recertification forms for third parties."

Dr. H. Ashton Thomas, secretary-treasurer of the state society, who signed the letter, discussed the matter with a Health, Education and Welfare official at the regional office, Dallas. Dr. Thomas recalls the conversation:

"He told me that unless the doc-

tors start using the forms (for certification) HEW would have to pull in the purse strings on these doctors. I dared him to. There isn't anything they can do.

"Nothing in the law says we have to sign these papers. A doctor has followed the law when he admits a patient to the hospital."

In New Jersey medicare bills are piling up in some 25 per cent of the hospitals because of the mix-up and confusion over Parts A and B.

Jack Owen, executive vice president of the New Jersey Hospital Association, told NATION'S BUSINESS some hospitals are holding bills that were rendered in midsummer of 1966.

Sometimes the bills are cleared up in one fell swoop. On one occasion 3,000 bills were authorized for payment. "It just jams up the whole accounting system," Mr. Owen complains.

Social Security Commissioner Robert M. Ball takes exception to hospitals' complaints that federal payments are running far behind. He says some hospitals have failed to take advantage of special procedures for getting emergency payments by neglecting to submit bills to the government.

Elton TeKolste, executive director of the Indiana Hospital Assn., finds that the medicare law completely ignores the burdens of extra operating costs hospitals must shoulder to treat these patients.

### Free ride at \$20,000 a year

Congress is now being forced to examine a Frankenstein of its own creation—the Title XIX or so-called medicare section of the law. Designed to help the "medically indigent," it brings under one protective umbrella anyone, regardless of age, considered by individual states to be needy.

New York State undertook a long, probing look at medicare and found some attractive loopholes. It is a well-publicized fact that some wage earners with incomes up to \$6,000 qualify under the New York plan. But reading the small print, it is also possible for a man with a wife and two children earning \$20,000 a year—but whose income in a particular month is no more than \$500—to get all his medical bills paid.

Congress has another chance to revamp the medicare program which got completely out of hand in New York State and may cost taxpayers there as much as \$1.6 billion. Legislation was intro-

*(continued on page 70)*





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# PREACHING WHAT YOU PRACTICE

A conversation with George Champion, board chairman of Chase Manhattan Bank, who believes that businessmen should tell the world how they're solving public problems

George Champion is an activist—in business, politics, charity. He believes every businessman should be. To him, this is one of the most important underpinnings of democracy.

He's critical of the way government tries to do a number of things. But to his criticism, Mr. Champion carefully attaches what he believes are better solutions.

He's a great believer in the creativity and competence of the individual. Chat with him and he's apt to remind you that Henry Ford didn't apply the assembly-line technique to automobile production in response to a government directive, and that Thomas Edison didn't develop the incandescent lamp with the help of a government subsidy.

From his office in the modernistic glass and aluminum skyscraper in the core of New York's financial district, Mr. Champion chairs the board of Chase Manhattan Bank, the world's second largest commercial bank.

Among his current efforts for charity he is national chairman of the 1967 United Negro College Fund campaign.

Mr. Champion is a former president of the New York Chamber of Commerce, and director of the New York Association of Commerce and Industry.

At 63, he retains nearly the same physique that made him a standout guard on the 1925 undefeated Dartmouth football team.

He's blessed with a keen sense of humor, and once ran for U. S. President in the Alfalfa Club, a group of top business and government leaders whose only aim is fellowship and the spoofing of politicians. To the Alfalfans he promised he could get action from Congress: "I can appeal to their patriotic instincts, or I can call their bank loans."

NATION'S BUSINESS interviewed Mr. Champion in his office, highlighted by John Trumbull's treasured portrait of Alexander Hamilton. Here he tells how the banker's job has changed over the years, why businessmen must become involved in politics, what to look for in promoting people, and why it's cheaper and better to let private enterprise solve many public problems. **Mr. Champion, how did** (continued on page 52)



# BUSINESS: A LOOK AHEAD

## Bugging the bugs

(Agriculture)

## New bind on builders

(Construction)

## People equal products

(Transportation)

### AGRICULTURE

Now the Agriculture Department is importing bugs.

While most USDA bug experts fight war on insects, others are importing new ones and helping them get a foothold. Their reason: to kill other bugs.

Latest example—and biggest effort so far—is project to breed 1.5 million parasites by June and turn them loose on cereal leaf beetle, which if unchecked could destroy 10 to 30 per cent of U. S. wheat, barley and oats.

Parasite, known as anaphes, is almost microscopic flying insect that lays eggs inside egg of cereal leaf beetle. Anaphes eggs hatch first, destroy beetle larvae.

Cereal leaf beetle, uninvited immigrant from Europe, first appeared in U. S. in 1962, now found in Michigan, Indiana, Ohio. USDA researchers learned that anaphes helped keep beetle in check in Europe, hence the import.

Development highlights trend in USDA research toward use of various parasites to attack weeds, other insects. Imports are "quarantined" at Moorestown, N. J. while experts make sure they're no threat in themselves to U. S. agriculture.

It's all part of larger trend away from chemical pesticides in USDA research program. Last year, 67 per cent was in nonchemical field.

### CONSTRUCTION

New troubles may be ahead for the home-building industry.

Already plagued by tight money, builders in new communities may face new obstacle due to slow-down of community water, sewer facilities.

Partly because of delays as communities seek federal assistance, facilities to support residential growth are held up.

Communities are reluctant to approve zoning or construction for new developments. Slowdowns in sewage treatment facilities are particularly critical because of increased emphasis on pollution abatement.

No wholesale complaints have come from builders—as from engineers, contractors and suppliers for facilities—but National Association of Home Builders is alert to possible chain reaction.

One disturbing sign: One water meter manufacturer reports to his trade association that sales are down due to home construction lag, in turn partly because of delays in public facility construction.

### CREDIT & FINANCE

Tighter—not looser—money ahead this year?

That's prediction of Robert A. Kavesh, professor of economics and finance at NYU's graduate school of business administration, who sees more "juice" in nation's economy than many other observers.

He points to forces in three sectors: higher wage settlements and higher consumer spending; greater capital spending than shown by industry surveys; government outlays "higher than we've been led to believe."

Professor, a former official with Chase Manhattan Bank, predicts greater pressure on Federal Reserve to tighten up on money, reversing trend toward easier money of recent months.

Tighter money, of course, would reverse trend toward brighter prospects for lenders, including savings and loans which have picked up lately.

Western Wood Products Association, after surveying 189 lending institutions nationwide, forecasts that more financing will be available this year for home buyers, although interest rates are not expected to drop significantly.

### FOREIGN TRADE

Long-standing trade barriers will loom even larger as tariffs fall.

Kennedy Round of tariff negotiations in Geneva—reaching crisis stage this month—mainly affects trade in manufactured goods among advanced industrial nations.

As tariffs fall, other restrictions become more important. Barriers include discrimination against foreign products in government purchasing, rigged taxation (like extra-high European taxes on large—hence American—autos), regulations like sanitary rules, marking and labeling, copyright and trademark laws.

Now not covered by international codes, nontariff barriers will be must items for negotiation, say U. S. ob-





*Service-industry users of two-way radio units alert public authorities to crime, fires (see Marketing).*

servers. As part of total trade picture, they also influence further bargaining on later tariff reduction.

## **MANUFACTURING**

Management of people—from top leadership to skilled work force—gets heightened attention from manufacturers in today's fast-changing economy.

This is highlighted in recent study of personnel practices in U. S. industry.

### **Summary of the findings:**

"American managements are giving increased attention to their people problems out of recognition that in a world of rapidly changing products and markets the capabilities and commitment of people may become the most solid, long-term competitive advantage upon which to build the company."

Covering 249 major companies, mostly in manufacturing, study found personnel function given higher corporate status, greater responsibility, larger staffing and greatly expanded role in company operations.

Reasons include need for greater productivity to meet rising labor costs and stiffer competition, and flexibility to meet challenge of merger, expansion or diversification.

## **MARKETING**

A fast-growing business doubles as a vital public service.

Business is increasing use of two-way mobile radios by vast array of firms in manufacturing, service industries.

Total units, including public services like police and fire, now are estimated at 2.5 million.

Private users now are being enlisted in public service project known as "community radio watch," sponsored by Motorola Inc., whereby cab drivers, fuel-truck drivers, contractors, plumbers and electricians, for example, notify police, fire authorities, when they spot crimes, fires, downed power lines, blocked roads.

Users in more than 100 cities have signed up.

Marketing aspect: Side effect will be increased public awareness of equipment's usefulness.

## **NATURAL RESOURCES**

Natural gas industry is launched on new campaign in unending battle of the fuels.

Over next few years, group of more than 20 companies will seek development of economical fuel cell to convert natural gas into electric power.

Goal is power unit for all-electric homes.

Industry group headed by Mark V. Burlingame, president of Natural Gas Pipelines Co. of America, will contribute \$20 million toward research by Pratt & Whitney division, United Aircraft, for research, studies at university technical institutes.

Fuel cells are already well developed for space program. Big problem is development of cell capable of gas-electric conversion at competitive costs.

Some top industry officials regard fuel-cell project, major cooperative research effort to date, as sign of more ambitious efforts to come.

They talk of use of gas as fuel for supersonic transport, possible import of liquefied gas if domestic shortages threaten. This, of course, is on top of research projects sponsored by American Gas Association, including venture with Office of Coal Research in converting coal into gas.

## **TRANSPORTATION**

Air freight capacity is due for whopping boosts this year and in 1970.

Cargo jets already on order for delivery in next five years total 161, costing \$1.2 billion, with estimated capacity of 6.5 billion ton-miles annually. Biggest number—101—due for delivery this year.

So capacity over next five years, on basis of current orders alone, will more than double over 96 planes now in operation with combined annual capacity of 4 billion ton-miles.

Air Transport Association sees big demand for service. Says a spokesman: "Historically, in the air freight business, as you increase capacity you have increased demand to fill that capacity."

Use of containers, making possible lower rates to shippers, is expected to sustain demand as capacity grows.

Next big boost expected in 1970 when jumbo 747's enter service, able to carry 214,000 pounds each compared to the 92,000 top limit of jets in service today.



you get into banking? You majored in history and political science at Dartmouth, didn't you?

Yes. I came down from Hanover one weekend to look for a job, and one of the young men who had graduated two years before worked in an employment agency. He suggested I call on the personnel officer of the National Bank of Commerce. I did, and started work as a mail teller.

**And from there?**

I went with Equitable Trust Co. in 1929 and became an assistant secretary in 1930. That same year, Equitable merged with Chase National, and I became an assistant cashier.

**Was the assignment you drew in 1931 to straighten out a New Orleans bank that Chase had an interest in a turning point in your career?**

Well, I will say I gained more experience in two years there than I could have under any other circumstances.

**What was the condition of that bank?**

It was pretty well frozen up. My senior partner, Oliver Lucas, and I worked there from eight in the morning until 10 or 11 at night, Sundays included.

**Wasn't Huey Long governor of Louisiana then?**

Yes. He was governor when we first went down there. We had lots of meetings with Mr. Long, and some very interesting experiences.

I remember we had the first banking holiday in the United States. Mr. Long called us to his home and said one of our neighboring institutions had announced it would not open the next day. That's not a very healthy thing to hear. In those dark days many banks were closing their doors.

He called both the newspapers and told them: "Stop the presses. Look through your almanacs, calendars, everything else, find out what happened on Feb. 4. The battles fought, countries founded, deaths, births, anything. We have to have a holiday tomorrow."

One by one they called back and said, "We can't find a thing." He had one of the brightest minds you could imagine, and finally said, "Nobody knows when that S.O.B. Jean Lafitte (an American privateer and smuggler) was born, but I do. It was one hundred and fifty

years tomorrow." He dictated a proclamation, and we had the first banking holiday.

**Did he ever give your bank any trouble?**

He wanted to appoint an officer to the bank. He was very pleasant about it. But we told him we would run the bank and he should run the state.

**After becoming a senior vice president of Chase in 1949, you embarked on a project to find out what its employees thought of their bank. Is that right?**

Yes. At the request of then-president, Percy Ebbott, I headed a group that visited every branch and every department of the bank, including the night force. We would talk to individual staff members without their officers being present.

I'd tell them we just wanted their views of how to make the bank a better place to work. They'd speak very frankly. We had some grand and fruitful discussions.

People at one branch said, "We don't want to leave here. We like our officers, our jobs, but we think we should have a better place to work."

Nobody could question that. It was really a horrible place they were working in. We rectified it.

**While those currently in the federal government stress "creative federalism," you speak of "creative competition" between business and government.**

Yes. I have a deep conviction the government can't solve all our problems. My difference of thinking, I believe, with some of those in government is that I have great faith in the individual, in his honesty, integrity and judgment.

I feel very strongly that when you limit his freedom, you are limiting his opportunities. And you are limiting the progress of America. The strength of a country is a combination of the skills, character and energy of its people—probably character should rank first.

This is proven time and time again as you look over the world. We have made progress as a nation because we have had individuals with great skills, great knowledge and great character.

One big reason we have become a leader is that 60 or 70 years ago management of industry and banking had the foresight to start to

train people for decision-making. We have developed managerial competence at the departmental and divisional level that is unmatched anywhere else in the world.

**How would your concept of creative competition work?**

Well, I'm suggesting that business compete with government by setting up projects that would represent beachheads of excellence throughout the country. These would be in the nature of pilot programs in social experimentation that could serve as models for others in the future. By setting standards of quality and cost for the government to emulate, these public-service projects could exert a cumulative effect far greater than their immediate impact. Some of this already is being done, of course, but there is need for a great deal more.

**Mr. Champion, how has the banking business changed in the 40 or so years you have been associated with it?**

It's become much more complicated. Forty years ago, bank loans were basically seasonal loans. Farmers would borrow in the winter and pay up at harvest time.

The industrial revolution was really just starting then. There was no smoothing out of income such as there is today. There was little research or technological change or the kind of improvements that we are having today. So, at that time, banking was relatively uncomplicated.


Then came industrial mass production, automation, the great surge of research for new processes and new products.

All of these things have made life more complicated for the banker because he can't lend intelligently unless he looks at more than just a balance sheet. He has to know what the company is doing in terms of research, how effectively it is competing. If you're making an expansion loan to a steel company, you had better have some understanding of an open hearth furnace, a basic oxygen furnace and continuous casting.

So you have to be more of a specialist nowadays in order to help your customers grow. This is our job.

One big movement we started in 1934 was term-lending—that is, loans to business of a year or more. I handled the second term loan we made, a five-year loan to a cotton





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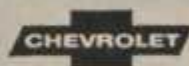
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## LESSONS OF LEADERSHIP *continued*

mill. At the time, term-lending was considered pretty bold.

Today corporations need money for a new process or a new machine to give them a competitive edge on their neighbor.

We in banking have to be alert enough, intelligent enough, knowledgeable enough to know the risks. So banking's infinitely more complicated than it used to be.

Let me add that we still feel our basic responsibility is to take care of the small businessman. Our list of customers is replete with companies that started out with very little, and now are making a great contribution to the economy.

Your friend, Gen. Lucius Clay, tells me that perhaps your greatest executive skill is being a good listener. Would you agree, and is this an asset that's vital to an effective executive?

I'm not sure I am. But, yes, it is very important.

He also said you are an awfully pleasant chap to have in a duck blind.

I send him out to pick up the ducks. He wears the boots.

You have a reputation for building a deep feeling for your organization from its newest, youngest employee, on up. How, in such a big enterprise, can a top executive engender this feeling within the ranks?

Well, I don't know whether I'm responsible for the feeling that exists here. I do know I have never seen a group that is equal to the one we have at Chase.

I have seen them weather crisis after crisis. Like last year's subway strike. There wasn't any complaining. Attendance was 92 to 94 per cent. Some had to leave home at six o'clock in the morning and not get back till nine o'clock at night.

And I have seen it when we had a water main break. They worked up to their knees in water.


You can't beat that kind of spirit.

You have called the balance of payments deficit this country's most serious economic problem. How can we solve our balance of payments without harming the economies of other free world nations?

We must acknowledge, I think, that the balance of payments is essentially a long-run problem and cannot be dealt with successfully



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by short-run measures aimed at achieving quick results. To bring about a lasting solution, in my judgment, we must take such fundamental steps as curtailing military spending in Europe and working resolutely toward balanced budget.

Another step that would help our balance of payments problem would be a shift in the nature of foreign aid—from the present dominance of bilateral arrangements to much greater reliance on multilateral

aid. A multinational institution like the World Bank or its affiliates—or perhaps a new world aid organization—would have many advantages in planning and administering economic assistance contributed by all industrial nations.

**Should businessmen speak out more on, say, the advantages of the free enterprise system?**

I think they should. It's up to the business and banking commu-

nity to speak out constantly on individual freedom of choice, personal responsibility, sound fiscal policies and the social responsibilities of business. And I think businessmen are doing it more and more. It's very revealing to see the institutional advertisements that are coming out now and the things that people are doing.

We are doing some very exciting things here at the bank to help people. And it's heartening when you see what U. S. Steel and Bethlehem Steel, to name only two, are doing to fight pollution.

We have to speak up because if we don't tell the story of our free opportunity system effectively, we can hardly blame people for not understanding its enormous advantages. If enough people understand how our system works, I am confident that public opinion, as the final arbiter of all great issues, will see to it that some of our present dangerous trends are corrected.

**Should more businessmen get into politics?**

I think they all ought to get into politics, either as candidates or as workers. Just recently we gave a dozen or so good citizenship awards to our own personnel for their participation in politics.

The awards include a week's vacation, two hundred dollars in cash, and a citation. One of the winners was elected to his town council; another will head the Young Republicans in Westchester; another helped his brother in a campaign for Congress on the Democratic ticket.

We have a public affairs unit at the bank that advises staff members on how to get into politics at the precinct and local community level. As former President Eisenhower has said: "The best answer for too much government in Washington is better government at home."

**What do you think is needed to get this nation's fiscal house in order?**

We must restrict our domestic spending. With the war in Viet Nam, it would be very difficult to balance the budget. But nations cannot continually spend more than they take in without deteriorating their credit standing and the value of their currency. It is inconceivable to me that we couldn't defer some social programs until we are through with the war.

**What role should banks play in community improvement?**

We are all looking for and finding new ways to do this. We are

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Look at all these time and work saving benefits you get with the Adler Electric: Automatic paper injector-ejector. Automatic dual ribbon — (fabric and carbon.) Reverse underscore. Short cut carriage return. Copy

control. Page-end indicator. Five repeating keys. Repeating space bar. And many more benefits that save costly typing and retyping time.

Before you decide on any electric, have your secretary test-type the Adler Electric side by side with any other. She'll probably end up confirming your own good judgment for the Adler.

Check the yellow pages for your local Adler dealer. He'll be more than happy to bring the Adler Electric to your office for a trial demonstration. Or write for full details.

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ders needed. Sits on your desk top ready for action. Impress your customers, cut your overhead, with the low-cost 3M "107" Copier. Call your 3M Business Products Center for proof. Or mail the coupon. *LOOK TO 3M FOR IMAGINATION IN IMAGE-MAKING!*

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City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

\*The copy at left was made on a leading electrostatic copier. The copy at right was made on a 3M "107" Copier. Based on a comparison conducted by an independent testing laboratory.



**3M**  
COMPANY  
St. Paul, Minn. 55119





## Is the term "intercom" obsolete?

A Centrum doesn't fit the ordinary notion of what an intercom is. For instance:

"Intercoms" have a press-to-talk button. But the Centrum allows both parties to converse hands-free, and even at a distance from their sets. They can answer the phone or take notes while using the Centrum.

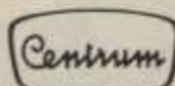
"Intercoms" can accommodate only a few stations. But a Centrum system puts as many as 9000 individuals or areas instantly in touch.

"Intercoms" often require dialing, like the telephone. But the Centrum has touch-digit button calling. No dialing, no waiting.

"Intercoms" are sometimes called squawk-boxes, for obvious reasons. But voices heard over a Centrum are as clear and natural as life.

Perhaps, some day, all "intercoms" will be like the Centrum. But today, there's only one system that has virtually unlimited station capacity, pushbutton calling, and hands-free conversation on both sides.

That's the Centrum, the fastest-growing electronic intercommunication system in the world.



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820 Second Ave./New York, N.Y. 10017

## LESSONS OF LEADERSHIP *continued*

putting special emphasis on seeing that the little fellow gets the help he needs. We have sent some of our men through Harlem to study the needs of various little businesses there. We are planning to do the same thing in the Bedford-Stuyvesant area of Brooklyn.

Then we have our Business Experience Training (BET) program to keep potential dropouts in high school while we train them each afternoon at the bank for a business career. It's an exciting thing. It gives these young men an opportunity that before this just didn't exist.

**Do your private efforts depart from banking duties?**

Oh, yes. We are financing a bookmobile in the Bedford-Stuyvesant section so that young people there will have an opportunity to read books that otherwise wouldn't be available.

We are supporting the United Negro College Fund on a series of lectures and seminars at a number of predominantly Negro colleges by a dozen top economics professors.

**Mr. Champion, how do you make a big decision? What are the major factors, as you see them, in corporate decision-making?**

Certainly a big decision is not made off the top of your head. I believe a combination of experience and common sense is essential if you are going to make decisions that will hold up.

Even then, they can't all be right.

**What qualities do you look for in promoting your people?**

Character first, good judgment and leadership. And never choose anyone for a very important place unless you feel he has a lot of respect for his fellow-man.

**How do you motivate people to top performance?**

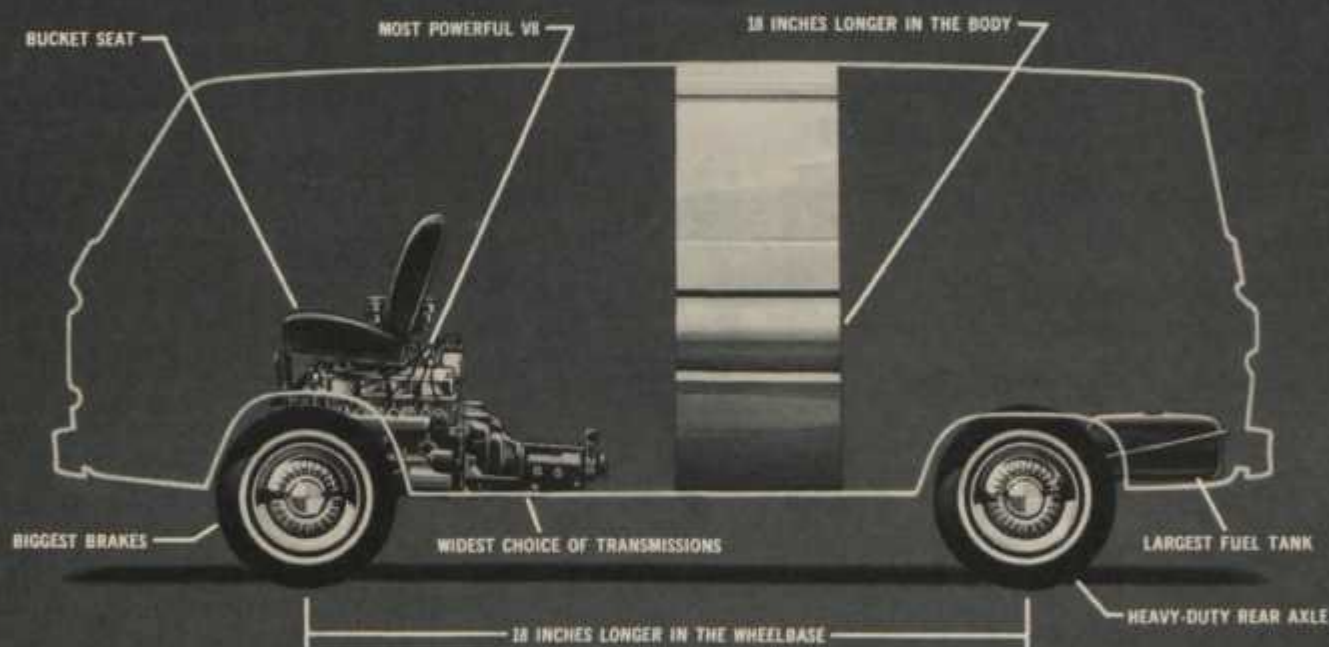
You must have a program that is exciting, that is rewarding, that gives them responsibility. People have to feel that the job they are doing is constructive.

**What one thing has given you the greatest satisfaction in your business career?**

Banking generally. It's been a very rewarding life in many respects, and I have been able to do a lot of things that I wouldn't other-



# Introducing the new Dodge A108 king-size van



This cutaway view may seem an odd way to show a big compact. You'd expect us to talk about the space in the new Dodge A108—how it carries 10-foot-long items flat inside the van, or 256 cubic feet of things. The Dodge A108 clearly moves a lot of material. But the outstanding thing about this new Dodge king-size van is how easily it moves big cargoes, with such features as a heavy-duty rear axle, easy-breathing Slant Six power, big brakes, large 21-gallon fuel tank and

a full-foam bucket seat. No other extended compact includes all these features as standard equipment. And no other compact truck offers such powerful options as a 210-hp V8, the biggest engine in its field, or a heavy-duty manual transmission as well as the LoadFlite 3-speed automatic. That's why the illustration above makes so much sense. The new Dodge A108 not only gives you a lot of space, it also gives you a lot of truck.

**DODGE  
BUILDS  
TOUGH  
TRUCKS.**



**Dodge Trucks**





# Isle Royale-Evinrude Country



## ...the perfect place for a pair of "18's"

Like to catch lake trout on light spinning tackle in mid-Summer? You can at Isle Royale, a wilderness island in Lake Superior, where lunker trout cruise the icy waters of the offshore reefs. But come prepared for rugged fishing for this is Evinrude Country.

Seems like the trout always hit best when the big lake is rough and that's when you really appreciate the dependability of Evinrude's famous 18 hp Fastwin... in fact, a pair of them makes good sense. They double your round-trip insurance... get you to the good fishing faster... and save on fuel when you cut one engine to troll with the other.

Fastwin's thermostat-controlled engine makes it ideal for these cold waters. It warms up fast and cruises and trolls at a constant temperature. Its high-voltage magneto gives it a hot spark for quick starts.

A pair of Fastwins makes a fast, doubly dependable economical-to-operate rig that's also easy to handle on the road or in the water.



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Milwaukee, Wisconsin 53218  
Please send free 1967 Evinrude motor and boat catalog.

Name.....  
Address.....  
City.....State.....Zip.....

## LESSONS OF LEADERSHIP *continued*

wise have dreamed of being able to do.

I have a favorite charity in Harlem, called Youth Development, Inc. Old Jim Vaus, who himself had some brushes with the law as a boy, started working with young gang leaders there about 10 or 12 years ago. Most of these kids have police records.

I got interested and have been very active in it the last six years. We built a camp for the boys out in the country and are giving them remedial education. We had 49 kids in high school last year who would not have been there had it not been for that remedial education.

Mr. Champion, what lessons can Americans learn from what appears to be a trend towards capitalism in the Soviet Union and some of her satellites?

First, that the individual is the key element in the successful operation of any economic system. For a long time, the communists ignored this fact, but it has now begun to catch up with them.

Second, that the individual must be given adequate incentives if he is to perform up to his full capabilities. The Russians learned this to their sorrow, in their agricultural program and later in their industrial buildup.

Third, that the free market system, with its respect for the individual and its stress on incentives, provides by all odds the best allocation of economic resources.

Are the opportunities for success as great now as when you started out?

Greater! Never have people been trained and worked with as carefully as today. Never was it so necessary. We are improving their knowledge and their abilities and advancing them faster than ever. So, the opportunities are greater than ever before.

How do you relax?

I occasionally go off for a weekend to the country.

And I understand you're quite a golfer.

That's a very flattering statement. I get Bobby Jones' clubs every year or so, and the last time I saw Bob I told him, "The clubs are no good."

He said, "When I see your swing,





makes products better for you

## 20 YEAR GUARANTEE ARMCO ALUMINIZED STEELOX® ROOF PANELS

Armco STEELOX Roof Panels made of Armco ALUMINIZED STEEL are guaranteed to be free of factory defects and in addition are guaranteed for a period of TWENTY YEARS against rupture, structural failure, or perforation due to normal atmospheric corrosion, as follows:

This guarantee is limited to deterioration resulting from "normal" exposure. The following are excluded from the definition of "normal," and thereby from this guarantee:

1. Areas subject to marine (salt water) atmospheres or to constant spray of either salt or fresh water.
2. Areas subject to heavy fallout or exposure to corrosive chemicals, salt, or fumes from chemical plants, foundries, plating works, kilns, fertilizer manufacturing, paper plants and the like.

If an area is originally a "normal" one, but the environment subsequently changes to one that is not "normal" (such as the construction of a chemical plant nearby) this guarantee will then be void.

This guarantee does not apply:

1. In the event of mechanical or chemical damage during shipment, during storage on the jobsite, during erection, or after erection.
2. If damage has been caused to the aluminum coating by improper securing or cleaning procedures.
3. If roof panels or other parts are installed in a manner that prevents drainage of water from all surfaces.
4. To deterioration of the panels caused by corrosive fumes or condensates of harmful substances generated or released inside the building.

In the event of failure or anticipated failure within the time periods indicated from the signature date of this certificate, Armco must be notified in writing. Armco will then examine the panels, or cause them to

be examined. If, in its opinion, failure has occurred under the terms of this guarantee, Armco will assume a share of the cost of replacement material or repair material for the defective panels, according to the following table:

Year After Installation	Armco Share
1st through 10th	100%
11th through 14th	75%
15th through 17th	50%
18th through 20th	25%

In no event shall Armco's liability under this guarantee exceed its proportionate share of the original cost per square foot of defective roof area—not shall Armco be responsible for any consequential damage or loss to the building, its contents or other materials. In all instances, Armco reserves the right to approve or negotiate any contract for replacement or repair, or to appoint an agent to do so.

This guarantee is rendered for the sole benefit of the original purchaser as named below, and is not transferable or assignable. It becomes valid only when signed by the original purchaser and the Armco Dealer, salesman, or construction superintendent, and when the copy is mailed to Armco within thirty days of installation and within 180 days of shipment from Armco.

THERE ARE NO OTHER GUARANTEES, EXPRESS OR IMPLIED, EXCEPT THOSE STATED HEREIN, OR THOSE STATED IN SEPARATE WRITTEN GUARANTEES PERTAINING TO THE SAME BUILDING.

ARMCO STEEL CORPORATION  
Metal Products Division  
Middletown, Ohio

# Here's what makes an Armco Building better!

And there's more! For complete information about the Armco Building System, write to Armco Steel Corporation, Metal Products Division, Department M-477, P. O. Box 800, Middletown, Ohio 45042.



Metal  
Products  
Division

## GUARANTEE ARMCO FACTORY-ENAMELED WALL PANELS

Armco Factory-Enameled Wall Panels are guaranteed to be free of factory defects, and in addition are guaranteed as follows:

- A. For a period of FIFTEEN YEARS against blistering, peeling, cracking, flaking, chipping and chipping.

- B. For a period of TEN YEARS against excessive color change.

This guarantee does not apply to shipping damage due to damage or failure caused by abuse, improper storage before installation, improper installation, inadequate maintenance, acts of God, or other external conditions or forces beyond the control of Armco.

This guarantee is limited to deterioration resulting from "normal" exposure. Any areas within 500 feet of tide water or subject to constant salt or fresh water spray or within a quarter mile of a chemical plant or similar source of corrosive fumes are excluded from the definition of "normal." Such locations are excluded from this guarantee, unless specifically covered by a special letter from Armco naming and describing the specific building location.

If the building is originally in a "normal" location, but the environment subsequently changes to one that is not "normal" (such as the construction of a chemical plant within a quarter mile), this guarantee will then be void.

With respect to Guarantee B, the following provisions apply:

1. Color change over a ten-year period will be insignificant\* and any change that does occur will be gradual and uniform.

2. Normal maintenance and cleaning practices shall be followed.

- a. In ordinary environments cleaning is not considered necessary.\*\*

- b. In unusually dirty areas or when the building has been exposed to grease or other soils, refer to Armco literature for recommended procedures. Use of other than recommended procedures will void this guarantee.

\*For purposes of this guarantee, an insignificant color change is defined as not exceeding 2.0 in Munsell units when measured according to ASTM D 1559-60. "Measure for Specifying Color or the Munsell System." Whenever such measurements shall be made on the unpainted surface, the color shall be measured under conditions of 20° or less degrees of angle, and shall be measured with water and a soft sponge first.

\*\*Water even when not required by this guarantee, periodic washing and rinsing is recommended to remove the appearance and durability of the finish. See Armco literature on this subject.

3. All standard Armco Exterior Colors, except Polar White, are included. (Polar White is excluded with respect to color change because a certain degree of chalking of white surfaces is desirable to permit self-cleaning and control streaking of soils when rained upon. Note that this provision does not exclude Polar White from Guarantee A.)

Special colors are not included in this guarantee, unless specifically covered by a special letter from Armco.

In the event of suspected failure, within the time periods indicated from the signature date of this certificate, Armco must be notified in writing. Armco will then examine the panels, or cause them to be examined. If, in its opinion, failure has occurred under the terms of this guarantee, Armco will refinish the defective panels on the site, or pay for such refinishing, at its option, sharing the cost of such refinishing as follows:

Year After Installation	Armco Share of Cost	Owner Share of Cost
Guarantee A 1st through 15th	100%	0%
Guarantee B 1st through 10th	100%	0%
" " 11th through 15th	75%	25%
" " 16th through 20th	50%	50%
" " 21st through 25th	25%	75%
" " 26th through 30th	0%	100%

In no event shall Armco's liability under this guarantee exceed its proportionate share of 10 cents per square foot of defective wall area. In all instances, Armco reserves the right to approve or negotiate the contract for refinishing or to appoint an agent to do so. This guarantee is rendered for the sole benefit of the original purchaser as named below, and is not transferable or assignable. It becomes valid only when signed by both the original purchaser and the Armco Dealer, salesman or construction superintendent, and when the copy is mailed to Armco within thirty days of installation and within 180 days of shipment from Armco.

THERE ARE NO OTHER GUARANTEES, EXPRESS OR IMPLIED, EXCEPT THOSE STATED HEREIN, OR THOSE STATED IN SEPARATE WRITTEN GUARANTEES PERTAINING TO THE SAME BUILDING.

ARMCO STEEL CORPORATION  
Metal Products Division  
Middletown, Ohio



# Why put up with crank mail?



Now the smallest postage user can afford to own an electric postage machine. One that runs on its own power—instead of yours.

It's the 9222 Postage Meter Machine by Friden. And the only thing it shares



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markably efficient. Just pop an envelope into the feed, and then press a button. The machine stamps (1¢ to \$9.99)

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For parcel post tape, simply insert a tape pad instead of a letter.

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**Friden**  
DIVISION OF SINGER  
INTERNATIONAL

## LESSONS OF LEADERSHIP *continued*

it's a desecration for you to have them. Turn them in."

But I love golf.

And a sometimes golfing partner of yours is Gen. Eisenhower?

Yes. He's a great man.

Another of our Lessons of Leadership subjects, George Love, chairman of Consolidation Coal Co. and former chairman of Chrysler Corp., also is an avid golfer and playing partner of Gen. Eisenhower's.

He certainly is. And if anybody has a worse golf swing than mine, it's Love.

Mr. Champion, if you were a lad of 21 just getting out of Dartmouth, what do you think you would most like to do?

I would like to go into banking. I would like to go with The Chase Manhattan Bank. **END**

REPRINTS of "Lessons of Leadership: Part XXII: Preaching What You Practice," may be obtained from Nation's Business, 1615 H St. N. W., Washington, D. C. 20006. Price: 1 to 49 copies, 30 cents each; 50 to 99, 25 cents each; 100 to 999, 15 cents each; 1,000 or more, 12 cents each. Please enclose remittance with order.

## NOW YOUR TAXES TRAIN PICKETS

*continued from page 38*

The union-supported LACWRO and the federally supported CCCD have formally agreed to help each other drum up membership.

The CCCD also helped to organize a six-person California delegation to the national welfare rights meeting in Chicago last August. The meeting boosted such ideas as a guaranteed annual income for everybody and a stronger national union of people on welfare rolls.

The California delegation to the meeting was led by Tim Sampson, CCCD's chubby executive secretary. Mr. Sampson, a former "neighborhood organization worker" in Los Angeles, even got himself elected to represent California groups on a National Coordinating Committee of Welfare Rights Groups that was formed at the Chicago meeting.

Last December the CCCD invited





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Now you can forget about dealing separately with machine rental, paper, supplies and service. Under Mr. Bruning's Fleet Plan, all of these are combined in one guaranteed cost per copy, based on your total volume.

This means one low cost per copy, regardless of the number of machines you need or the branches and departments you need them in. No capital

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How much can you save with the Fleet Plan? Only your Bruning man knows. Give him a call. He's listed under Bruning or Addressograph Multigraph in the telephone directories of 155 major cities. Or write Dept. A, Mt. Prospect, Illinois.



# Bruning

Division of Addressograph Multigraph Corp.



its trainees in the Watts Social Action Training Center up to the San Joaquin Valley to learn about unionization firsthand. The 16 tax-supported SATC trainees and their leaders spent two days in Del Rey and Delano talking to union people and then joined a group of union boycotters and demonstrators on their way to Fresno looking for something to protest.

**A shopping blacklist**

The group, led by Gene Boutilier, an official of the AFL-CIO Farm Workers' Union, went from store to store in Fresno carrying a list of items that the union is boycotting.

When they found a boycotted item they would send two women and a child (Chavez's union exploits children in almost all of its demonstrations) to the store's manager and demand that he take the items off his shelves and sign a statement to be sent to the maker of the boycotted item. If the manager refused, the group would send in three burly, tough-talking young men to add "or else."

Store after store in Fresno capitulated. In fact, the tactic was working so well that SATC leaders began to worry that their trainees were not going to get in any picketing experience.

Then the group came upon Gottschalk's department store on Fresno's fashionable Fulton Mall.

In a corner of the store was a small liquor stall in which the union group discovered nine bottles of vermouth. The vermouth was on the boycott list because it was made by Perelli-Minetti, Delano area grape growers whom Chavez has been trying to force into signing a labor contract.

Gottschalk's young vice president, Gerald H. Blum, refused to take the bottles off his shelf, even though it would have been a lot simpler to do so.

"The loss of that item would not have represented much money to us, but I'd be damned if I was going to let them tell me what lines we could carry and what lines we could not," he explained to a *NATION's BUSINESS* editor. "It was a matter of principle."

Within 20 minutes Gottschalk's four entrances were surrounded by some 50 shouting, chanting and sign-waving whites, Mexican-Americans and Negroes. They kept up their harassment of customers from about 10 a.m. until closing time. Then the pickets left town.

"All they really succeeded in doing," Mr. Blum recalls, "was to make a lot of customers angry with their movement and help the sale of that vermouth. It's moving well now. Before all of this, most of our customers didn't even realize we had a liquor department."

"I got a number of phone calls from people telling us to stand our ground. One customer threatened to close his account if I did remove the product from our shelves."

"The customers in the store at the time of the picketing were incensed over these people with their shouting, their T-shirts and their signs and the literature they handed out."

"I didn't really get angry myself until I learned that the federal government is using tax money to teach young people to picket and harass businessmen."

A week later, the federally backed trainees of the Social Action Training Center got in some more picketing experience at a Los Angeles dock where Chavez' unionists were protesting the loading of Perelli-Minetti products onto a ship.

Fred Perelli-Minetti, co-manager of the firm, claims his company has one of the best labor policies among farm organizations. If the protesters had only talked with him, he said, "they might be earning more than \$3 an hour now in wholesome, outdoor work," instead of spending 10 months in a charity-type training program.

**Unions got in early**

The situation in Southern California is hardly an isolated case of union involvement in poverty programs. It is part of a great design by unions to tap a growing outflow of federal money and, more importantly, a growing source of votes.

"AFL-CIO leaders have been involved in the Office of Economic Opportunity's plans from the very beginning," admits David Sullivan, president of the Building Service Employees International Union and chairman of the Labor Advisory Council of OEO, the federal agency that runs the "war on poverty."

"And union leaders are still involved in giving advice on the program at the very highest level," concedes Mr. Sullivan, who is also a vice president of the AFL-CIO. "Both the AFL-CIO and the OEO have developed and are continuing to build administrative machinery to back up labor's efforts."

AFL-CIO President George Meany called one of his top state

federation presidents, West Virginia's Miles C. Stanley, to Washington in 1965 to be his right-hand man in coordinating labor union participation in the Administration's anti-poverty program.

For several months Mr. Stanley busied himself persuading AFL-CIO international unions and state and local central bodies to appoint coordinators for their anti-poverty activities. A big part of the job of these coordinators is to make sure that unionists penetrate governing boards of local community action agencies, which—as in the case of California's CCCD—have a big say in where the federal money goes.

Mr. Stanley also served as a member of the National Advisory Council of the OEO, as did A. Philip Randolph, president of the Sleeping Car Porters and an AFL-CIO vice president.

With rumors rampant of a coming investigation on Capitol Hill into what becomes of federal poverty money, the AFL-CIO disbanded its Anti-Poverty Office last January 1 and Mr. Stanley returned to his West Virginia post. The National Advisory Council of the OEO also was abolished.

Sargent Shriver's OEO, however, continued developing union influence in the poverty program through a labor liaison staff at OEO's Washington office and its seven regional offices. This is headed by Thomas J. Cosgrove, former education director of the State, County and Municipal Employees. His stated chief function is "to generate fuller union participation."

One former AFL-CIO lobbyist high on the federal poverty payroll is Hyman H. "Bookie" Bookbinder, OEO's assistant director for National Councils and Organizations.

Typical of the type of programs such a combination can dredge up is a \$235,761 federal OEO grant to the Alameda County (Calif.) Central Labor Council. This was for a 12-week summer job project for 200 youths in various types of community work, all under supervision of the labor council.

Among the stated purposes of the project is: "To demonstrate that a task-oriented situation with appropriate supervision, challenging work, realistic wages and worker involvement in planning can stimulate personal motivation and responsibility."

The unsuspecting youths are assured of getting the union message. The project director and his staff of supervisors and foreman-instructors

*(continued on page 74)*





### Control Artist. The Sweda Dateregister.

Dateregisters® mind the store. They maintain cash control. Credit control. Inventory control. Even keep track of clerk commissions and sales by department. Multiple totals at any time, without computer processing. Tamperproof tapes and compulsory sales slip certification. Easy to operate; hard to make mistakes on.

One of the extraordinary sales registers from Sweda, where the research and development of new ideas is an art.



## How U. S. Steel cleared the air around Pittsburgh

1950—High-pressure boiler plant completed at McKeesport, Pa., with four stacks equipped with fly-ash removal equipment, replacing 57 smoking chimneys.

1951—New coke battery on stream at Clairton, Pa., works, equipped with self-sealing doors to minimize emission of pollutants.

1952—Program launched to install gas furnace cleaning equipment at major sources of dust in the Pittsburgh area.

1954—First production of ferro-manganese under strict pollution controls. Production of this steel-making alloy regarded one of industry's toughest pollution problems.

1955—Completion of program to equip all area blast furnaces with cleaners.

1958—First area installation of electrostatic precipitator on open hearth.

1961—All area industry, through pollution advisory committee, set 10-year timetable for installing controls on all open hearth and electric furnaces.

Industry's first application of a wet gas cleaner on a sintering (ore preparation) plant, following three-year research and pilot operation by U.S. Steel.

1962—Filtering system, employing 944 bags, each 30 feet high, installed to collect dust from U.S. Steel electric steel-making furnaces.

1963—Air pollution devices installed on new basic oxygen furnaces at Duquesne, Pa., works.

1964—Piping of coke oven gas to power plants to reduce coal combustion, a major source of fly ash emission.

1965—Experiment launched to reduce air pollution from coke quenching operation.



1949

PHOTOS: CHARLES ROTHEN-PPF



1966



# INDUSTRY WINNING RACE WITH NATIONAL HAZARD

Back in 1962, a newsmagazine photographer looked around Pittsburgh for an idle steel mill to illustrate the industry's low production rate.

Reasoning that no smoke meant no work, he trained his camera on open hearth shop No. 5 of U. S. Steel's Homestead Works, shot his picture and thereby gave Pittsburgh and the corporation an ironic compliment.

Though some area plants were shut down, U. S. Steel's OH5 was going full blast. Its dust-laden gases were being cleaned by expensive air pollution control equipment before they were disgorged into the atmosphere.

The incident illustrates a little-known development, the accomplishments of a basic industry in cleaning up an inherently dirty process.

A recent survey of several hundred companies that tend to contribute to air or water pollution found that they consider its abatement as one of their top community responsibilities and are doing something about it.

This is significant in view of President Johnson's latest clean-air proposals to Congress, including a request for federal powers to set industry-wide standards for emission of pollutants into the atmosphere.

Of course, manufacturing probably accounts for less than 20 per cent of the total pollution problem. But, as Sen. J. Caleb Boggs of Delaware told a recent air pollution conference in Washington, "industry is often singled out because it is conspicuous."

Nowhere is this more true than with the steel industry, which has become symbolic of industrial air pollution in the public mind. Articles on air pollution in newspapers, magazines and Public Health Service publications almost invariably feature pictures of "belching" steel mills. And with reason.

Steel making is inherently dirty. Coke ovens, blast furnaces, ore preparation plants and other facilities create vast amounts of gases and dust, some beyond the industry's current technological — and economic — capacity to control.

Improved controls and reduced air pollutants are derived from outlays for pollution-abatement equipment, modernization of production facilities and research.

During the past 15 years, the steel industry has spent an estimated \$250 million just to rid the air of pollutants, says Allen D. Brandt, manager of industrial health engineering for Bethlehem Steel Corp. Annual operating costs run another \$30 million.

However, such figures, the only ones available, badly understate the real progress being made. Modernization and expansion of industry facilities, now running \$2 billion a year, also mean greater pollution control through far greater efficiency and economy.

Research sponsored through the American Iron and Steel Institute, now running at more than \$500,000 a year, and by individual companies for which no over-all figures are available, represent additional control efforts.

The main contaminant from the industry is "particulate" matter, ranging from dusts to solid particles in furnace gas emissions, which most people refer to as "smoke."

Says Mr. Brandt of Bethlehem Steel: "The most important single contributor of particulate air pollutants in steel industry today, namely, the steel-making furnaces, is being brought under control rapidly and effectively as a result of the change in steel-making technology whereby uncontrolled conventional open hearth furnaces are being replaced by basic oxygen furnaces equipped during construction with adequate air pollution control facilities."

Other steel industry officials predict that half of U. S. production





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## **INDUSTRY WINNING RACE WITH HAZARD**

*continued*

will be converted to this process by 1970.

Like others in the industry, Mr. Brandt sees industry expenditures for clean air accelerating to the point where in 10-15 years "control facilities . . . will have resulted in adequate control of all sources of particulate pollutants with the exception of relatively few minor and scattered sources."

### **How U. S. Steel does it**

For a closer look at what the steel industry is doing, the work of U. S. Steel illustrates the size of the problem and the progress being made, as well as future clean-up plans.

Company officials report spending an estimated \$200 million over the past 15 years on equipment to control both air and water pollution.

"We still have some way to go," says Herbert J. Dunsmore, assistant to the administrative vice president for engineering. But he speculates that it may take up to 10 years to finish.

"This will not mean that all pollution from steel making will have been corrected," he tells *NATION'S BUSINESS*. "This will put cleaners on those facilities for which current technology has developed satisfactory and efficient cleaners."

Future pollution abatement, as in the past, will likely consist of a combination of installing additional control equipment, modernizing existing facilities and possibly phasing out of marginal plants as production is shifted to newer facilities.

Much is being done under local government clean-up programs. One was launched by Allegheny County, Pa., in 1961, for example.

With help from all segments of the community, including industry, an ordinance was enacted and administered whereby control measures are imposed on a scheduled-out basis with full regard for technological capabilities and all economic factors.

Similar local control arrangements are in effect in Gary, Ind., Chicago and Lorain, Ohio. Schedules stretch ahead to 1971 and 1972.

U. S. Steel can point to an impressive record going back many years, however.

"However, we still have a lot of cleaning up to do," says Mr. Dunsmore. "In communities where air pollution is a problem, the device of





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## INDUSTRY WINNING RACE WITH HAZARD

continued

an advisory committee (including industry), working with the control agency, has proved to be the best means to work out a practical solution to this problem."

One reason for favoring such an approach, according to another company source, is: "The approach to any community problem—and air pollution control is no different from the others—must be community-wide. There's not much sense in correcting an industrial source while the other pollution sources go unattended."

### Costs of cleanliness

A community's clean air doesn't come cheap. It is estimated that between 1950 and 1970, some \$400 million will have been spent in the Pittsburgh area alone for all efforts tending to reduce air pollution.

The figure includes phase-out of steam locomotives; conversion of coal heating to other sources, automobile exhaust controls, along with efforts by steel and other industries.

For steel itself, one university expert estimates that air pollution controls add three to five per cent to the cost of the most modern steel-making facility.

Industry efforts paid off for Pittsburgh. As a House subcommittee on science and astronautics pointed out last year, "Pittsburgh is an example of cleaned air."

Striking statistics show drastic reduction of soot-fall, concentration of particulates suspended in the air and visibility.

As far back as 1959 the county air pollution control director found that during the 116-day steel strike shutdown there was only a 15 per cent decrease in suspended particulates in the air Pittsburghers breathed.

Cost aside, other economic considerations influence the pace of the industry's clean-up efforts, even within known technology.

### Why not faster?

Marginal plants, so-called because of either high production costs, technical obsolescence, or a shrinking market for their specific products, present the toughest problem. Addition of costly cleaning equipment makes them even more uneconomic to run.

Summarizing a series of hearings last year, the House Science subcommittee expressed the problem this way: "The over-all goal is to

restore and maintain the quality of the environment without disrupting the economy and the culture. This goal is ambitious and carries some aspects of both eating and having the cake."

Research by U. S. Steel and others in the industry accounts for much of the progress, says Dr. Charles A. Bishop, director of chemical engineering development, applied research, at U. S. Steel.

American Iron and Steel Institute, whose air and water pollution abatement committee he heads, also has sponsored research in such fields as the basic causes of fumes in metallurgical operations and of hydrogen sulfide from blast furnace slags.

The industry also is concerned with additional problems which it shares with others, such as controlling of nitrogen dioxide which occurs in any combustion process and is no monopoly of the steel-makers.

"And I suspect," Mr. Bishop tells **NATION'S BUSINESS**, "that there are things that we don't even know about, that are beyond the horizon."

END

## HOSPITALS REVEAL: MEDICARE MALADIES

continued from page 46

duced in the House late in the session in 1966 but never reached the floor.

Congress' failure to put a financial ceiling on state medicaid programs was seized upon by the New York legislature which immediately opened the floodgates for widespread enjoyment of publicly paid medical treatment.

Rep. Samuel S. Stratton (D-N.Y.) has reintroduced a bill to place definite limits on all state-sponsored medicaid programs. It calls for rejection of any state program making free medical care available to persons whose income is more than 90 per cent of the national average or if the total number of persons in a state eligible to get such help exceeds 20 per cent of a state's total population.

As matters now stand the New York program makes about 40 per cent of the state's population eligible for this basic welfare aid program. In some counties, including Rep. Stratton's home county of



Wouldn't it be interesting if you could  
divide up a country in two,  
try one economic system on one side,  
another on the other?

Well, somebody has.



The country, of course, is Germany. On one side of the Wall, an economy based on communism; on the other, an economy based on the free enterprise—or free choice—system.

It's the classic testing situation. After the War, the same bombed-out cities in both East and West Germany. The same depleted labor force. Same political, economic, social chaos. Practically laboratory conditions for evaluating the economic systems of free choice and communism.

Seventeen years later, East Germany ranks tenth among the nations of the world in industrial production.

But even more remarkable is the economic growth of West Germany. West Germany generates five times as much electric power as the East. Produces 25 times as many automobiles. Six times as much cement. Ten times as much steel. Nine times as many housing units.

Butter is still rationed in the East and costs the worker \$1.25 a pound (two hours' average wages). Coffee sells at \$8 to \$10 a pound; chocolate \$1.20 for three ounces; gasoline \$1.40 a gallon. And the East German buys these commodities, when he can get them, out of an average salary of \$35 a week. His West German neighbor buys these same commodities at one-third the price, out of an average salary two times higher.

There seems to be a lesson in basic economics here. About central planners who set prices. Pre-determine profits. Eliminate the competition that generates research and development. Impose the standardization that encourages stagnation, apathy.

We Americans learned that lesson the easy way. Through the experience of over two hundred years of a free choice system that has worked—and still works—to the economic good of us all.

The funny thing is, there are well-meaning people right now, in our country, who'd like to make some changes in our economy. They admit it's done pretty well by us, but they'd like to "fix it a little." They think Mary Smith, the Great American Shopper, has *too much* choice. They think she's confused. Or, maybe, just not too bright. They think the government ought to protect her.

For instance, why should she have to choose among 17 different kinds of olives? Wouldn't it be easier if there were only four? So let's standardize. The question is: who sets the standards? You can bet it won't be Mary Smith. She's not bright enough. So, let some government official do her shopping for her.

But, we wonder, will he know that Mary's husband likes his olive with an almond in it?

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## HOSPITALS REVEAL: MEDICARE'S MALADIES

*continued*

Montgomery, the figure is as high as 79 per cent.

Dr. Ephraim J. Felderman, president of the Association of New York State Physicians and Dentists, questions the fairness of the plan.

For example, two men earning the same salary—each with the same size family and each with the same responsibilities—may both qualify for medicaid. One of these men, say, who has been thrifty and saved \$5,000 toward a down payment on a home would not be eligible for these benefits. The other, who has spent all he earned, would be entitled to receive such help, paid for by the taxpayers.

What about the man with a \$20,000 income who conceivably could qualify for medicaid in New York? Well, as the plan is now drawn up, this could be a lawyer whose income is \$2,000 in May. In June he takes a vacation, reducing his income drastically during that time, and suffers an appendicitis attack while not at peak earning capacity. He would be entitled to welfare medical care under the New York plan.

The Commerce and Industry

Association of New York joined the fight to put a checkrein on medicaid lest it drain millions of dollars in additional tax money from local communities. Warning that the program is "saddling local communities with a huge and staggering financial burden," the Association told the House Ways and Means Committee the New York plan "goes far down the road of a complete governmental health service with all the detrimental effect on quality and the stupendous costs that such a program implies."

The decision of some doctors to take on the federal government in the running battle against the federal form has affected their practice in some cases. This could spread if they persist.

Dr. Thomas M. Prescott, a 47-year-old surgeon in Mt. Vernon, Ohio, for instance, has been barred from his community's two hospitals because he will not sign the forms. He has not performed surgery there—or elsewhere—since early last November.

Dr. Prescott feels particularly put upon by this interference—to say nothing of the fact that he is convinced this challenges his honesty and integrity.

Doctors all over the country are supporting his position, he says, since he began his battle against bureaucracy. "They realize what's in the deck and that the deck is stacked against them," he says.

Dr. Prescott is even more concerned that the new Congress will further broaden medicare this year to the point it will affect the quality of medical care. He refers to proposals whereby physicians would be required to prescribe drugs to federal patients by their generic or chemical name rather than by brand names.

"Can you imagine," Dr. Prescott told NATION'S BUSINESS, "if you were a doctor and the government said to you, 'Here's a list of drugs you can use and nothing more'? Why you'd go right through the ceiling."

Legislation along this line was introduced last year by Sen. Wayne Morse (D-Ore.) and ex-Sen. Paul Douglas (D-Ill.) but was not acted upon. Assistant Senate Democratic Floor Leader Russell Long of Louisiana favors such a proposal and is expected to introduce a bill this year. According to Dr. Prescott, the difference between most generic drugs and a brand-name drug is

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## MEDICARE'S MALADIES

continued

about one to two cents a tablet or capsule.

"That difference represents the millions of dollars private enterprise spends every year on drug research," he explains.

"What will happen to this research when the government starts prescribing medicine? Who will do it? What will happen to the quality of medicine." **END**



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## MEDICENTERS: A PRIVATE ENTERPRISE ANSWER

Private enterprise is helping smooth out a serious snag in federal "medicare."

The government program of hospital care for the elderly has caused a patient jam-up in many hospitals. The reason is there's a scarcity of facilities to handle convalescing patients between the time they have completed intensive medical treatment and are ready to return home.

"Medicenters"—sophisticated newcomers in the field of nursing care—are providing part of the solution. They have sprung up in a half-dozen communities and some 35 more are in the construction or planning stage.

This new concept in intermediate health care is the brainchild of the people who operate the highly successful chain of Holiday Inns which dot the American countryside from coast to coast.

Wallace E. Johnson and Kemmons Wilson, president and chair-

man of the board, respectively, of Holiday Inns of America, Inc., set up a separate company, Medicenters of America, Inc.

Medicenters are designed to provide patients still under medical attention, but no longer requiring hospitalization, with nursing care until they are able to return to an active life.

A major advantage of the medicenter is cost. Rates run half of that charged for comparable services in a hospital.

In 1964 (latest figures available) the Department of Health, Education and Welfare estimated it cost an average of \$12,500 per bed to build extended care facilities of this type with Hill-Burton tax-supported funds.

Medicenters of America, Inc., says its facilities are averaging out at \$7,500 a bed with some already completed for as low as \$5,500 a bed. And this is being accomplished wholly with private money. **END**

## NOW YOUR TAXES TRAIN PICKETS

continued from page 64

tors were hired mostly from the ranks of retired or unemployed union members and all projects cleared with unions. The project was given an additional \$500,000 from the OEO to enlist another 365 youths. (For more insight into what goes on at the Alameda Council, see "Weird Warriors in War on Poverty," May, 1966.)

### You're supporting union students

In Tennessee the OEO has turned over 80 of its best-educated Job Corps candidates to the Operating Engineers Union who, with help from the U. S. Forest Service, established a training center in the Cherokee National Forest.

Here these carefully screened, tax-supported youngsters undergo a full year of instruction by unionists. At the end, the trainees are to be referred—not to firms that are hurting for trained heavy equipment operators—but to local unions.

"We have opened a new reservoir of potential talent for our union," gloats IUOE President Hunter P. Wharton. "Some boys may not make it, but those who do will be a credit to our union."

An indication of some unionists'

true feelings toward the poverty-stricken, however, is seen in the Social Service Employees Union. This union consists mostly of public welfare caseworkers who spend much time trying to organize people on welfare rolls.

Last January New York City members of the Social Service Employees Union demanded a 56.5 per cent pay hike and other conditions. When turned down, these supposedly dedicated unionists walked out on the city's welfare offices, children's centers and homes for the aged.

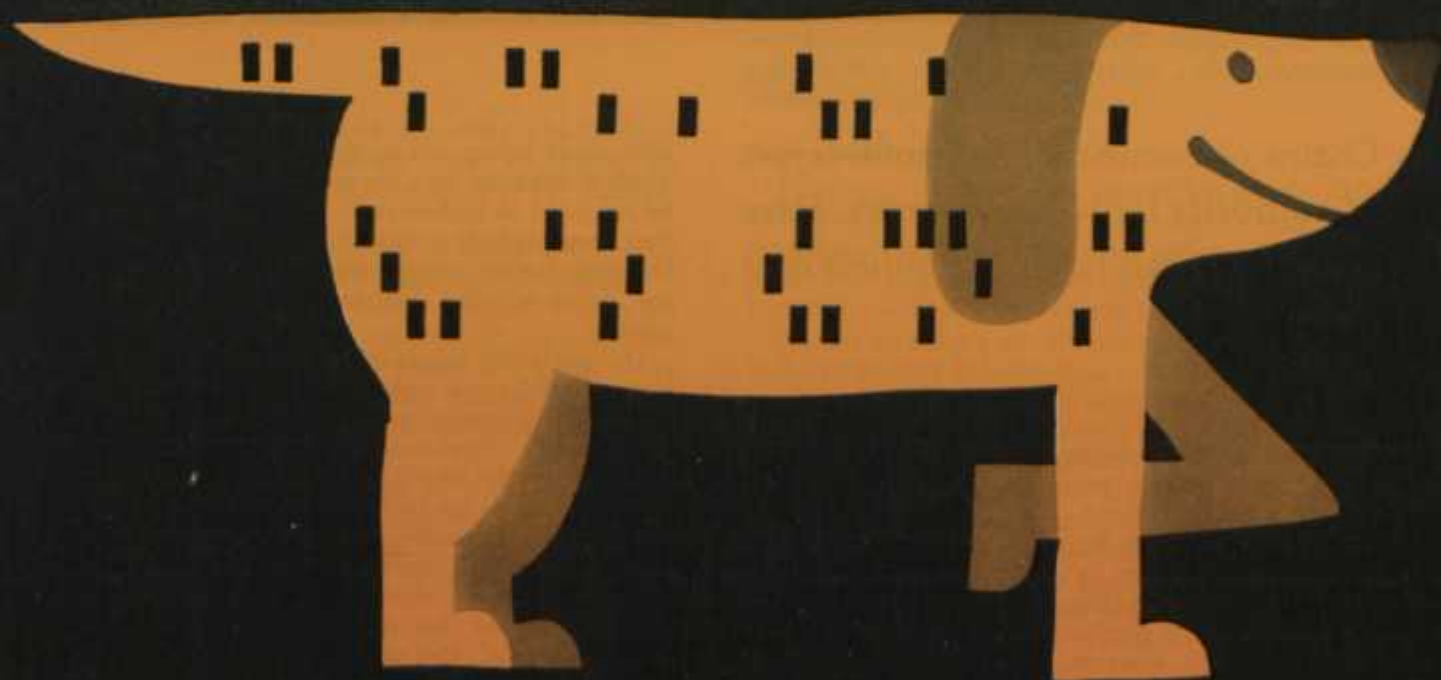
During the strike, time clocks at 15 welfare offices were jammed with glue, locks were ruined, floors flooded and tons of records and personal histories dumped about and destroyed.

Welfare officials could not communicate with welfare recipients to give them the heartbreaking news, because phone wires had been ripped out and cut.

Members of the Communications Workers Union, whose president heads the AFL-CIO's social programs, dutifully refused to cross union picket lines to fix the phones. **END**



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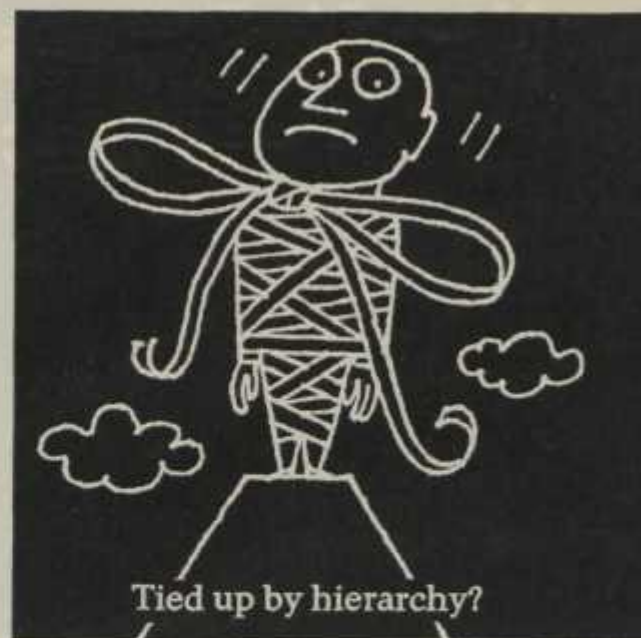
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# Is your business too organized?



Chains of command and multi-layers of authority build bureaucracy. Here is how you can rid your business of it

Hierarchy—the arranging of persons and groups in layers or classes—is something most of us accept without a second thought.

No one denies it is necessary. It's common to any business. People vary in skills, ability, drive, power and status. Organizations also have differing needs. Hierarchy helps to accommodate both.

A good thing, however, can be overdone. As organizations have increased in size, hierarchies have gotten larger, deeper and more complex. Distinctions between levels have become more precise in theory, less so in fact. Sometimes they have worked as the designers planned, more often not.

The architects of organization are accordingly taking a new look at hierarchy and what it is doing.

The results of this appraisal are startling. One new view is that hierarchy is being misused and overused in today's government and business.

We have assumed, for example, that those at a particular level did more or less as operating instructions required. But we now discover this is only partially so.

We are discovering also that large organizations

with many layers and levels are producing particular kinds of behavior that, for want of a better term, must be regarded as pathological. Researchers have found that these include nonidentification with the goals of the organization, exaggerated aloofness, insistence on the rights of office, resistance to change, overcompliance.

One authority points out we are breeding a generation of indifferents and ambivalents who don't really answer our organizational needs.

The term "dysfunctional" is being increasingly used to describe what is happening. Dysfunctions of large organizations include: Impersonality, lack of commitment, dependency, infantilism, overidealization of superiors (often followed by underestimation and depreciation), conflict, territory-guarding, feuding, absenteeism, job hopping, insistence on procedures, red tape. The number of such phenomena is growing and a relatively new field of research is developing—organizational mental health.

Increasingly, the members of the organization are becoming aware of what is happening to others—and to themselves. They are disturbed and disheartened.

As a teacher of administration and instructor in executive programs, I hear frequent comments on the subject. It helps to account, I am convinced, for the high turnover at the lower levels of management. Later on, the incumbent will have to put up with it.

But while he is still young and uncommitted, he can look elsewhere—and does.

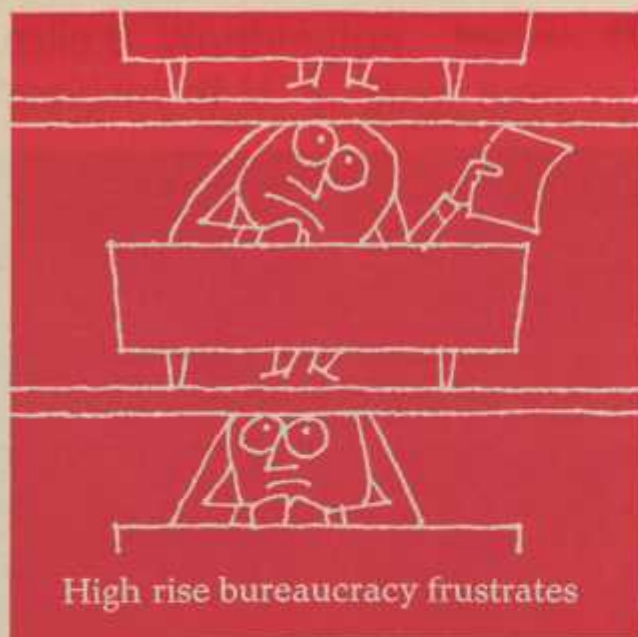
## Too many layers

There is, of course, no single cause of what is happening. There can be no doubt, however, that the ever expanding systems of hierarchy which most large organizations seem intent on establishing is a major offender. As might be expected, the greater the number of levels through which communications must pass, the greater the likelihood of distortion, diffusion and error.

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DR. DAVID S. BROWN, author of this article, is a professor in the School of Government and Business Administration, The George Washington University, Washington, D.C., and an authority on administrative problems.





Employees at lower levels are often greatly frustrated by their inability to get either information or ideas upward despite frequent appeals by management for suggestions.

And the greater the number of levels, the greater the problems of individual and group relationship.

As a result rules proliferate, frequently in great detail, governing employee conduct. These may even specify who shall talk with whom and under what circumstances, the nature of the business to be conducted, the chain of command and when exceptions can be safely taken.

There must also be provision for policing the rules, penalties for violating them, appeals procedures.

Also, the greater the number of levels, the greater the problems that are posed by delegation and decentralization.

DRAWINGS BY CHARLES DEHN



Individual creativity is lessened by ignorance of what is wanted, by lack of knowledge of organizational needs and problems, by the feeling there is little understanding or appreciation by superiors and by lack of status.

The greater the distance of the individual from sources of leadership, the greater the claim on his energies and loyalties by people or clientele his own level, by customers, employee betterment associations and personal interests. Hierarchy thus helps to draw him away from organizational purpose while appearing to be involving him more closely in them.

Decision-making in the highly structured, deeply tiered organization is ordinarily both fractionalized and dispersed, despite an appearance of order and unity. Moreover, top management is often blissfully unaware of how decisions are actually made and of what has been decided.

The same bureaucratic processes camouflage both.

Management's response when it is aware of the problem is to search for ways of tightening the organization.

Suggestion systems, statistical sampling, internal audit staffs, computers, synectics and management programing are tried.

#### Cure worse than disease

They may be useful but costly. Unhappily, they often produce bad effects of their own: Concern for procedures rather than objectives, choice of the safest rather than most constructive course of action, lack of faith in immediate superiors and hostility.

Instead of solving the problems of hierarchy, control systems may indeed create new ones.

Large organizations with complex hierarchies and status systems require carefully developed rules and procedures. Most big organizations have major investments in controls. The growth of such professions as administrative analyst, coordinator, expeditor, liaison officer and systems engineer testify to the extent such efforts have gone.

Like all "overhead," these place a substantial burden upon the organization. Someone has to pay for them.

But the real cost of hierarchy is its cost in people: Duplication of effort, wasted motion, discouragement of initiative, atrophy, disinterest and noncommitment, lack of creativity and responsibility.

The signs of such phenomena are everywhere. The testimony of individual workers makes clear what is happening. Interviewers and recruiters know the preferences—and dislikes—of our best university trained applicants. Alas, they are not for our new high rise bureaucracies.

#### Alternatives to hierarchy

Hierarchy can no more be done away with than can sin. But it can be curbed. Several courses are possible:

##### 1. Broader spans of control.

Organizations have been patterned on wornout archaic beliefs about span of control.

The specific villain is probably a Polish management expert, V. A. Graicunas, who settled upon five or six as the best number of persons to be supervised





in factory or workshop. A proper span of control might be six, 16 or even 60. This will depend on the job to be done, the type of leadership or guidance provided, the kind of people supervised and the nature of the controls available.

A major league baseball manager directs 30 or more. The second baseman reports to him neither through the first baseman nor a coach. A sales manager may oversee any given number. So may an Army commander.

By broadening and flattening the organizational structure, those at the top and those at the bottom can be brought more closely together. In doing so, communicational lines are shortened, objectives are harmonized, and a greater sense of immediacy and participation are provided.

## 2. Delegate and decentralize.

Few ideas have received so much lip service in both government and industry as those relating to delegation. Few are so difficult to put into practice.

Much more has been achieved by decentralization. The physical distance between two persons or two organizational units may contain a key to their relationship to each other. Even modest distances—another part of the same city, for example—produce different behavioral responses than existence on the same floor.

In the one instance the separation is real. Both superior and subordinate accept it and attempt to work with it. In the other, it is artificial and unreal. Being physically close together, the superior falls back on a structured status to emphasize his importance.

Trailblazers in both government and industry have demonstrated the advantages of project teams, contract service units, licensing and franchise arrangements. In other instances, individuals have been given freedom from traditional organizational re-

straints on condition that they apply their talents to needed problems.

The use of the service group is an example. It functions in much the same manner as an outside consultant, offering its services at fixed fees to those who have need of them. Members of the group think of themselves as entrepreneurs.

Department stores have done the same with individual departments, in effect leasing them floor space for their operations. The franchise system which permits individual ownership—and risk—is being used widely by an increasing number of businesses.

Other types of organization emphasize the importance of the team and the face-to-face group.

Such arrangements emphasize the possibilities open to us. The traditional pyramid-shaped organization is neither the only system nor the best.

## 3. De-emphasizing status.

Any serious attempt to de-emphasize status and hierarchy will include the following:

- Studying how work actually gets done.
  - Understanding and using voluntary contributions both from inside and outside the organization.
  - Eliminating anachronistic arrangements.
  - Having greater opportunities for the exchange of ideas.
  - Improving management visibility—top management, specifically, being seen and heard by those at all levels of the organization.
  - Recognizing the contribution of individuals at all levels.
- ## 4. New patterns of leadership.

The large bureaucratic organization should not be confused with the small one.

In the small organization, face-to-face leadership will suffice. But a different kind of leadership is also needed. Those with top managerial responsibilities within the many-layered organization must concern themselves with ways of reaching all levels.

The leader is many things: A goal setter, a planner, a resource provider, an encourager, a persuader, a developer of people and of ideas, an organizer, a trainer and a gadfly.

Present organizational patterns with their emphasis on hierarchy are likely to continue for some time to come. Tradition, habit, lack of appreciation of what they are costing us, lack of knowledge of alternatives and fear of change itself are among the reasons they will remain.

They do not, however, need to be as massive or as imposing as they now are. The deeply tiered organization, like the great pyramids of Egypt, is a monument to absurdity.

The future belongs to those who first master their bureaucracies.

END

REPRINTS of "Is Your Business Too Organized?" may be obtained from NATION'S BUSINESS, 1615 H St., N.W., Washington D.C. 20006. Price: 1 to 49 copies, 30 cents each; 50 to 99, 25 cents each; 100 to 999, 15 cents each; 1,000 or more, 12 cents each. Please enclose remittance with order.



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# HOW TO DOUBLE YOUR SALES

Unless you are making the most modern use of your sales people they're obsolete or soon will be

BY PETER F. DRUCKER

How much longer can we afford the traditional salesman? And what can we do to make him—and the entire selling effort—more productive?

Much has been written about American population changes and their impact on the labor force and on consumers and their behavior. We all know the American work population is getting younger fast. They expect to work as knowledge workers, rather than as manual workers, and to have high job and income security. Their wives expect to be affluent.

But the greatest impact of these changes may be on the ability of American business to attract and hold salesmen. To attract and to hold the kind of people we need requires, above all, ability to pay what they can earn in competitive

jobs which are easier and less demanding than selling.

If selling is to remain competitive as a career, we have to be able to pay a reasonably good salesman something like \$10,000 to \$12,000 a year. The outstanding salesman must be able to draw down something like \$25,000.

Otherwise, selling will become a career for those who cannot otherwise make a living. And selling in the future will require more skill and more effort than in the past.

But as every sales manager knows, a salesman's salary is only part of the cost. Support, travel, supervision and administration costs are probably twice again as much as the salesman's base salary.


So salesmen who cost between \$30,000 and \$75,000 a year must sell between \$250,000 and \$500,000 a year—or else the cost of selling becomes unbearably high.

But there are very few salesmen today capable of selling such volume. The same economic forces that limit the salesman's productivity today will make selling more difficult and more demanding tomorrow. For example, they force the buyer to be much more discriminating than he has been before.

PETER F. DRUCKER, who wrote this article, is one of the world's foremost authorities on sales and other business problems and their solutions. He has written frequently for *Nation's Business* and is the author of many books, including "The Practice of Management," "Landmarks of Tomorrow" and "Managing for Results." His latest book is "The Effective Executive."







Do you know how much  
your salesman costs?

If you treat him  
like a star will  
he be a star?

Do you know  
what your  
salesman does  
with his time?

Should a  
salesman make  
more than  
his boss?

The retailer is already being forced by the rising cost of sales people to concentrate on the merchandise that gives him the fastest turnover. The toughest battle in the American market place today is the battle for space on the crowded supermarket shelves.

And retailers are forced by their own economics to resist any pressure to go in for more shelf space—that is, for bigger stores requiring more sales personnel.

Selling may become even tougher in the institutional and industrial fields. There rising personnel costs are already forcing more and more buyers to club together for cooperative purchasing.

A large hospital, for instance, buys about \$3 million worth of supplies a year, ranging from commodities like fuel oil to highly technical apparatus for the operating room. But \$3 million worth of purchases is simply not enough to justify hiring a full-time trained purchasing agent at the salary he expects.

As a result, we see the rapid emergence of cooperative purchasing chains in which a number of hospitals join together. The same development has already taken place in other business fields.

To afford the \$10,000 to \$25,000 a year salesman and all his costs we must make him more productive. To do that we will have to sell quite differently than we do today.

#### **How to afford them**

There are already a good many things we can do to make the salesman much more productive.

Perhaps the most important is to make sure that we keep only star salesmen on the selling team.

In every sales force you will find a very small percentage of the men are stars. Then, way below, is the average salesman. He is very close to the bottom. Indeed he's almost indistinguishable from it. And no amount of training seems to be able to change him.

Countless attempts to work out a psychological profile for the successful salesman have yielded the same result. Namely, that there is no such thing as a typical salesman. What makes a good salesman is his performance—and nothing else.

At the same time, a good salesman will stand out within a very short time.

In a large shoe chain, for instance, it has been found that the store manager knows within 30 days



whether a new man will be a good salesman or not—and he has the performance records to prove it. The man who does not sell well after a month on the job will rarely make anything but an indifferent salesman.

Life insurance companies have had similar experiences. There it may take three months, rather than 30 days, to separate the wheat from the chaff. But otherwise there is little difference.

But businessmen have been slow to draw the obvious conclusions from this experience. Above all, they have been singularly reluctant

to let go those men who do not, at the end of the initial learning period, show real selling ability.

As a result, sales forces are full of people who are paid too much considering their performance, or lack thereof, and at the same time paid so little that they grumble—and discourage others from making selling their career.

### High cost of poor salesmen

Getting rid of the nonperformer puts a tremendous burden on sales managers: They have to cover a territory or a market. It seems easier to keep on a man who is just barely adequate than to recruit and train a new man. But this kind of procrastination always means more headaches later on.

Some companies have found that getting rid of anyone who does not reach a preset performance standard, at the earliest moment, actually makes life easier all around.

Above all, it makes it possible to attract much better people and to hold the good ones. It also makes it possible to offer real money to the salesman who is kept on.

Under the prevailing practice we cannot, however, pay the high performer. We spend all our money to pay the minimum acceptable to those who do not actually earn even that.

This practice is often defended as "costing us nothing." After all, it is argued, we pay a salesman commission only on what he sells. But this is a delusion.

Support costs are always there—and they are high. Above all, however, the commission salesman who earns little because he sells little imposes on his employer a much higher cost than his pay: The cost of missing sales.

And there is nothing more expensive to a business than missed opportunities. They can never be recaptured.

European experience bears this out. In Europe the commission salesman is not, by and large, accepted. Salesmen have to be on salary. However, this often means a substantially better performance on the part of the sales force and substantially lower sales costs.

A major American food processor found this out when he expanded into the French market. At first he resisted putting salesmen on straight salary. But since this is expected in France, he finally had to give in.

Much to his surprise, the French

sales force equaled the old and highly trained sales force of the parent company in the United States after only 18 months. The French sales manager simply thought through what performance standard any one of his new men should reach and how soon. And he dropped every man who did not come up to this standard.

The result: His average salesman was only slightly below his stars.

To do this, we have to rid ourselves of one old bugaboo—the fear of paying the star salesman "too much." You never pay too much if you pay for performance.

Yet in a good many American companies, management gets excited, sometimes even panicky, if a salesman starts to earn above a certain figure. "We must not allow a salesman to make more than his boss," is the usual excuse.

But this is unreasonable. No one, after all, gets excited when the baseball star earns more than the coach.

Salesmen are, and must be, solo performers. When they face their customer, they are alone. The sales manager can do nothing to help them at this crucial moment.

When achievement is the result of a solo performance, you must offer the top performers glittering prizes. This is the way to get stars. And this, above all, is the way to inspire all to reach out for star performance.

It is no criticism of the sales manager if he makes less. Indeed the manager who has such stars will also be the manager who himself deserves and will receive a higher salary. He has earned it, and the company can afford to pay it to him.

### Making him more productive

At the same time, however, we must make it possible for the first-rate salesman to sell more per hour or per week. Time is his prime resource. If his company enables him to sell more per call or per customer, he can become more productive.

The greatest obstacle, in a great many companies, is simply that the salesman does not have enough to sell. His product line is too limited.

An extreme example of this was a medium-sized company that occupied a leadership position in certain classroom equipment for schools. The company's products were generally conceded to be far and away the best. It had almost two thirds of the market in these products.

Yet it lost money year after year. The basic cause was the very

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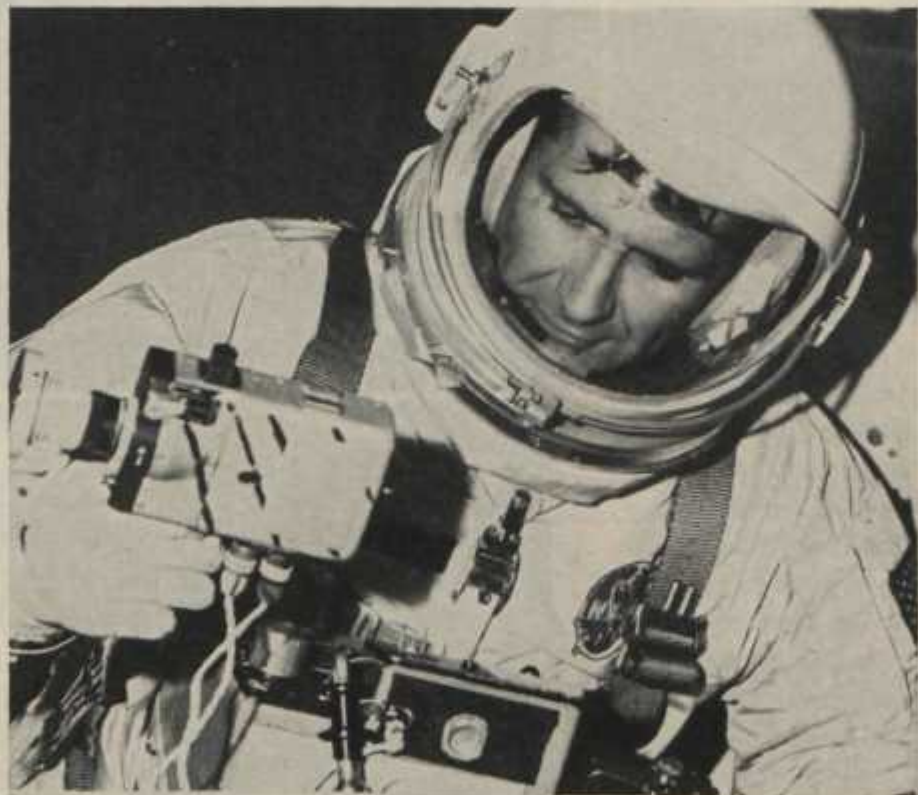


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**Nobody offers as many man-savers**

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You'll find them any place a tractor can do a job faster and cheaper than hand labor.

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International offers 24 different tractors ranging from 7 to 135 hp. International offers 13 different dirt moving attachments and 12 fork lifts and 6 loaders and 3 back-hoes and every kind of mower from flail to cutterbar. Plus snow removal equipment. Yes, and other attachments for the growing list of specialized job needs.

Check your needs with your IH dealer. Chances are he'll have a rig to fit your special needs.

And while you're there, talk money. Your dealer offers one, two and three-year financing. Up to three deferred payments a year during slack seasons. Rental or leasing. Leasing with purchase option. Or you suggest something. He wants to make a deal!



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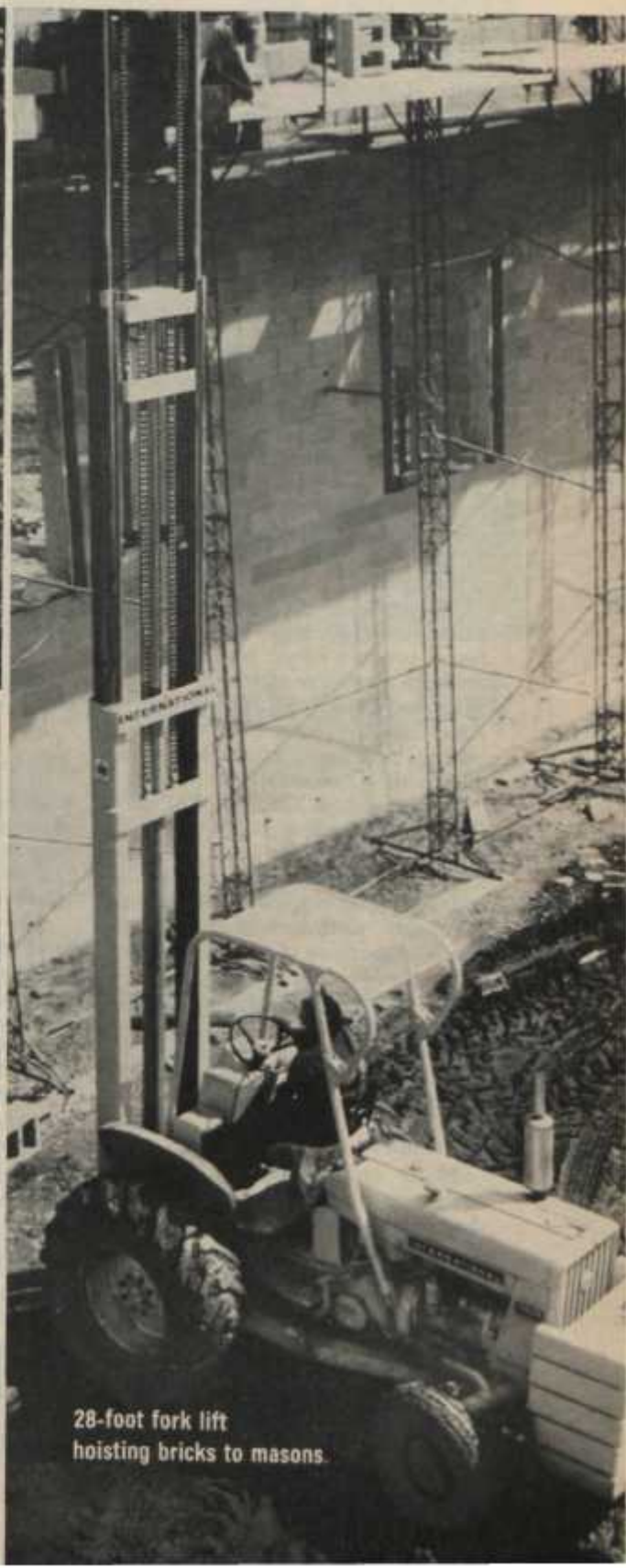
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thing the company was proudest of: The acceptance of its salesman by the school authorities. This meant in cold fact that the school authorities called in the company salesman as an expert and adviser whenever they started thinking about building a new school or remodeling an old one.

Then, for three years or more, the salesman had to give them a good deal of his time and knowledge to help them plan the entire new school. At the end, he was rewarded with—at most—a \$60,000 order.

For that is all even a school needed of the equipment the company manufactured and sold.

Actually, the school board had saved some \$150,000 or so on consulting advice. It paid for it with a \$60,000 order on which the manufacturer made at most \$15,000.

The only cure here was for the manufacturer to become also a distributor for a number of other, smaller makers of noncompeting school equipment. This brought the average order his salesman could get up to some \$200,000—and made it possible for the company to stay in business, though still on a slim profit margin.

We are already seeing the first attempts to give the salesman the broad product range he needs. For instance, two large companies, Westinghouse Electric Corp. and American Can Co. have switched from selling individual product lines to supplying a market's total needs.

A few years ago, an American Can Co. salesman could offer his customer only tin cans; another salesman handled glass bottles and a third paper cartons. Now he can offer any container the customer needs, regardless of material. Similarly, the Westinghouse customer is being offered any and all of the Westinghouse products his business may require by one salesman. One call on a customer is thus capable of producing a much larger sale.

### **Put him on target**

Many companies are trying to make the salesman's time more productive by focusing it on market opportunities. The company that has a telephone operator call to set up an appointment focuses its salesman on opportunity. So does the company that has a coupon attached to its advertisement asking people to write in for more information about a new machine, a new chemical or a new piece of equipment.

But much more needs to be done. And one of the most fruitful approaches is to analyze one's market to find out who really buys.

As a result of such an analysis, a company making industrial cleansing compounds switched from emphasis on small accounts to large.

Its salesmen now no longer call on filling stations, or even on schools—though both were steady customers who bought by the quarts. They call on prospects such as shipyards, steel mills or the big hospitals, which buy in carload lots.

As a result, they stepped up their percentage of sales per call and sharply increased the amount of the average order.

Judging by our experience so far, business firms should be able to double the productivity of their sales force by the steps outlined here.

But this may not be enough, not in the long run. We may have to

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### **Coming next month: Nation's Business outlook survey of business leaders.**

---

change our entire approach, instead of relying on the individual salesman to sell.

Eventually, we will have to do genuine mass marketing.

We will have to create fully the buying desire in the market and in the customer.

Today we largely depend on the salesman to do this.

Tomorrow the salesman's function will be to turn the switch; the buying desire will have to be there already.

This means that the center of gravity in selling will increasingly have to shift to promotion. Promotion is to mass marketing what individual selling was to the market of the Nineteenth Century.

Promotion is a good deal more than advertising. It is everything that creates a consumer franchise. It is promotion to the general public as well as to the distributors. It is the TV commercial and the ads as well as the point of sales dis-

plays. It is the user's guide and the technical specifications. It is also the service—to buyers and distributors.

We will have to learn to do a much better job in promotion—again for economic reasons. We cannot hope to achieve much more by simply a greater quantity of promotional efforts. We must make it more effective.

### **Key to sales tomorrow**

We can, therefore, expect the next decade to bring a tremendous emphasis on promotion and great concern with it. We need to know what the objectives of our promotion are—and they are by no means self-evident, let alone clear. We need to know what to expect from the advertising dollar.

Advertising, and indeed all forms of promotion, have been attacked for many years. Business has countered that advertising endows a product with value. It also notes that advertising enables the customer to discriminate and to hold a manufacturer accountable for the quality and performance of his merchandise.

But the most truly convincing case for advertising is that it is by far the cheapest method of distribution.

In the next 10 or 20 years promotion will have to become the carrier of our selling efforts. It will have to become the method by which we distribute in an affluent society and in a mass market, by creating consumer buying desire rather than by personal selling. It will have to become the method by which we can turn the realities of our economy and society—its size, its affluence, its high income levels, its full employment—into lower costs for the customer, higher incomes for the sales force and higher profits for the manufacturer.

The economics of selling alone will force us to do this.

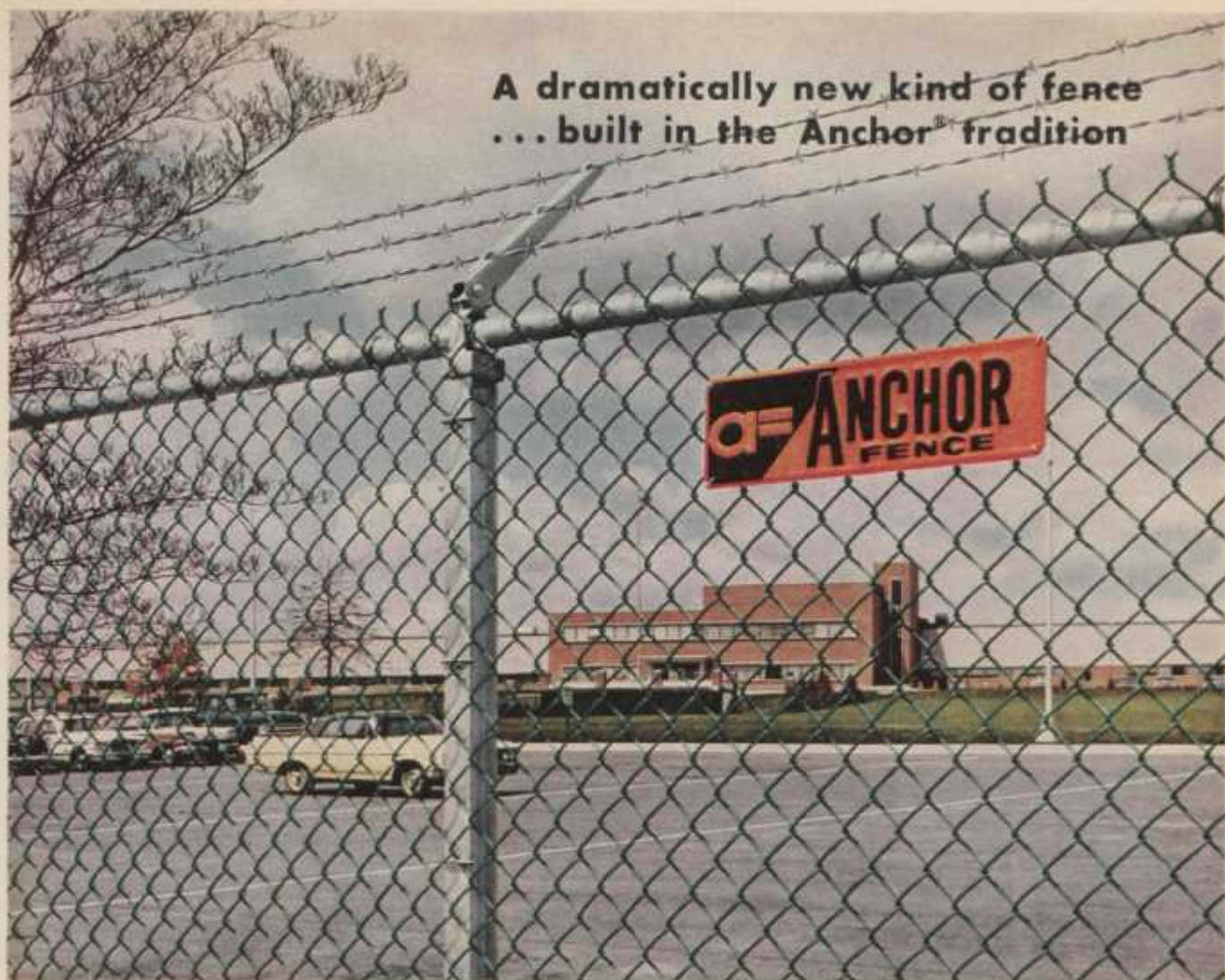
Is the salesman obsolete?

The answer, of course, is No. But the traditional ways of using the salesman, the traditional ways of paying the salesman and, above all, the traditional reliance on the salesman to sell are, indeed, obsolescent. **END**

**REPRINTS** of "How to Double Your Sales," may be obtained from *Nation's Business*, 1615 H St. N. W., Washington, D. C. 20006. Price: 1 to 49 copies, 30 cents each; 50 to 99, 25 cents each; 100 to 999, 15 cents each; 1,000 or more, 12 cents each. Please enclose remittance.



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*a brand new breed*



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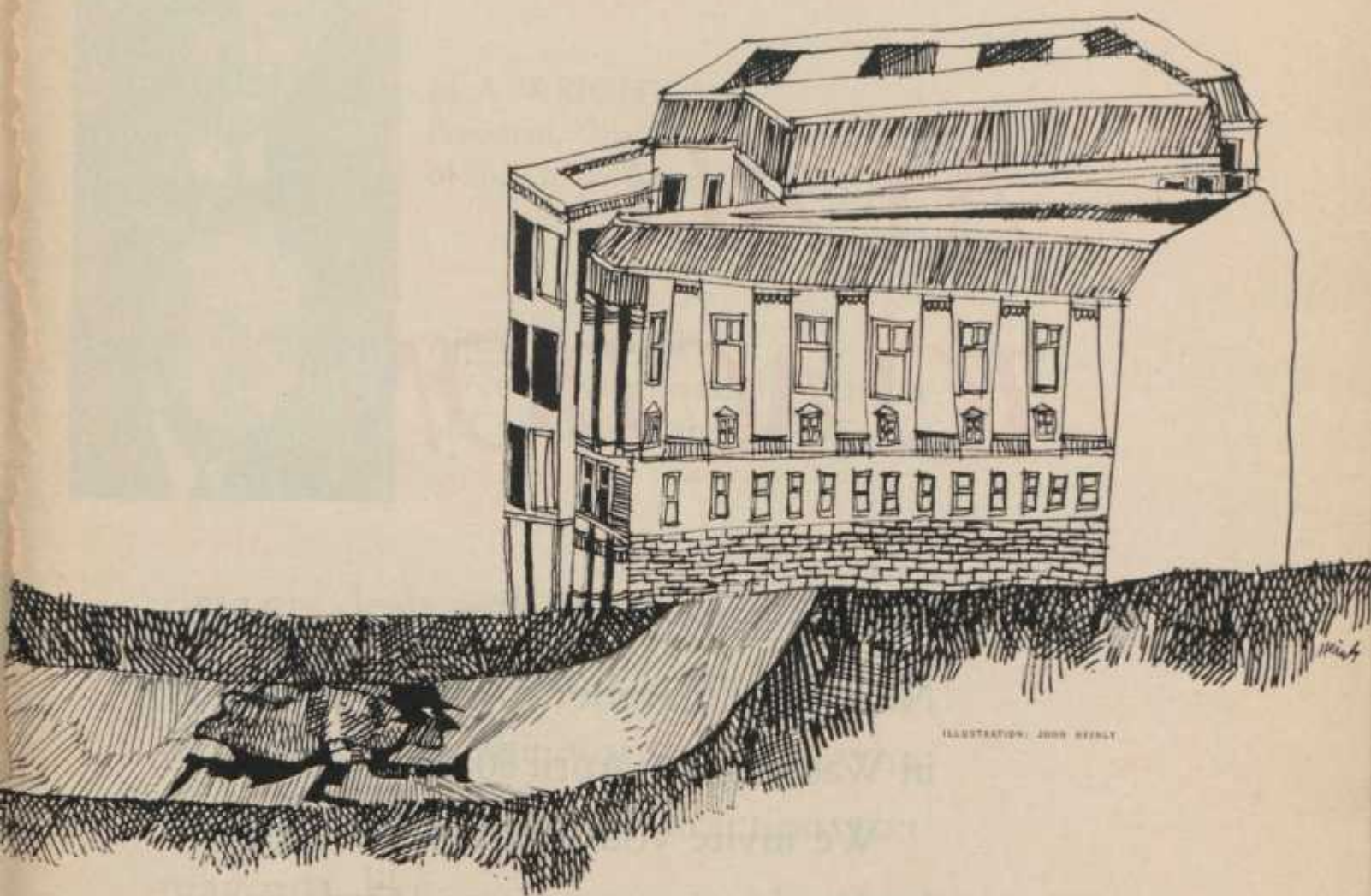


ILLUSTRATION: JOHN HENLY

Congressional leaders who have urged an intensive review of Great Society programs will unearth an alarming discovery when they start digging. Executive power, strengthened greatly by these new programs, has quietly but drastically eroded Congressional rights. And business often has been the unwitting victim. For example:

- An auto company finds its confidential memos to dealers suddenly opened to the public by a federal agency.
- Agriculture Department cultivates a multimillion dollar aid program under the guise of a "pilot project."
- An industry suddenly finds itself the target of a \$2.5 million propaganda war waged by a federal agency without Congressional approval.
- Defense Department decrees new

rules over installment credit while a bill seeking the same power languishes in Congress for lack of support.

This is just a glimpse of what can happen when an aggressive executive branch seizes new power without awaiting a clear command from Congress.

Although a power shift has been steadily increasing for decades, the trend had been reduced to a crawl in the Truman and Eisenhower years. Presidents frequently found themselves and their administrative agencies checked by a wary, opposition-controlled Congress. But since 1961, with one party dominating both branches of government, executive power expansion has threatened to smash our traditional system of checks and balances.

The more bills Congress passes,

the more power it hands over to the executive branch. With the record legislative output of the last Congress, federal administrative agencies are surrounded by newfound muscle.

A federal agency can enlarge its authority through administrative regulations, guidelines, advisory opinions, quasi-judicial rulings, use of grant funds, investigations, research and development and pilot programs. Sometimes it can even exercise power simply by not carrying out instructions from Congress.

As one disgruntled Senator sums it up: "It's kind of like obtaining power by osmosis."

Seldom do you find an executive agency deliberately thumbing its nose in the face of Congress. Rather, most nonlegislative powers are acquired when an agency stakes out



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a claim in an unmapped area. Typical reasoning: "If there is some doubt about our authority, let's act anyway and let the courts decide whether we were right."

Actually, such logic is not without foundation. Federal courts have traditionally upheld jurisdiction of the executive branch unless it could be shown clearly that the disputed action violated an intent of Congress.

Power-building by administrative fiat can start with the President himself. One method is by the executive order. Although not mentioned in the Constitution, nor sanctioned by Congress, the executive order has become a favorite tool of Presidents.

Sometimes it takes only a memo from the President to build new strength. During his special message to Congress on health in 1966, President Johnson announced that he had directed the Secretary of Health, Education and Welfare to "establish . . . a center for research on the cause, prevention, control and treatment of alcoholism." This ignored the fact that legislation to accomplish much the same objective had been introduced in both houses of Congress the previous October but did not have enough support for passage.

### **Regulations without laws**

Actually Presidential power-grabbing is relatively infrequent. It is apt to draw national attention. But inside the bureaucratic woodwork, sometimes unknown to the President himself, Congressional power is nibbled at continually.

Nothing can erode it faster than administrative regulation. Supposedly, no federal agency may issue a set of regulations unless specifically directed to do so by an act of Congress. But as in the case of the executive order, a gray cloud seems to have settled over the White House and Capitol Hill in recent years, obscuring the boundaries between executive and legislative authority.

Community antenna television offers a classic case history. CATV is a relatively new form of private enterprise, designed originally to bring television into towns (usually rural) where mountains or other barriers normally block horizontal TV signals from distant stations. By erecting towering antennas and linking them to homes by cables strung on utility poles, CATV firms

provide subscribing viewers with access to many channels.

CATV has become so popular it has moved into large metropolitan markets, often enabling subscribers to receive a dozen or so channels. Yet it has also ushered in some unprecedented legal headaches. For example, if a local station has exclusive rights to a film in its market, can it sue a CATV company which beams that same movie in from a distant broadcaster?

For years, the Federal Communications Commission felt it could solve such questions if only it could bring the young CATV industry under close control. But it faced one irritating obstacle: The Federal Communications Act doesn't say a word about CATV.

The FCC kept its hands off CATV for many years, but then suddenly in January, 1966, it published extensive regulations geared to bring the industry under its wing. In an accompanying statement, FCC said that it would continue to back legislation (then pending on Capitol Hill) which would give it a "clear mandate" from Congress to do what it had just done anyway.

CATV leaders reacted with bitter criticism, but FCC's legal staff was adamant. "The CATV people have access to the courts," said one. "If they feel sorely aggrieved, then they are free to challenge the regulations."

The National Community Television Assn. did just that. It filed suit. Unfortunately for CATV and the rest of the business community, the federal courts have established a pattern which places the burden of proof on the challenger. Contested acts of the executive branch are generally upheld unless they clearly violate the intent of Congress—even in cases where Congress may never have expressed itself.

### **How mergers are blocked**

It can happen, too, in a case where Congress deliberately refuses to grant the executive branch its way. For years the Federal Trade Commission had often asked various federal courts to issue temporary injunctions that would freeze a merger until its antitrust implications could be studied.

The courts, however, denied repeatedly that they had any jurisdiction to block a corporate marriage in advance. When FTC then asked Congress to grant such authority

through legislation, it, too, refused.

But this double-barreled rebuke didn't deter FTC's antitrust staff. "During the '50's," confided a Commission veteran, "we had never bothered to appeal these lower court decisions to the Supreme Court because we felt that we would probably be turned down. But then in recent years we had reason to believe that the complexion of the court had changed. So we decided to go all the way this time."

As its first step, FTC found itself two guinea pigs—Dean Foods Co. and the Bowman Dairy Co., two competitors who had just joined together. As expected, a U. S. Court of Appeals once again rejected FTC's argument. But this time the case went on to the Supreme Court, where FTC finally had its day. A five to four majority overruled the Appeals Court and handed FTC another in the series of new powers it has obtained without the aid of legislation.

In another case of pilferage, FTC issued a "guideline" in January that requires portland cement companies and certain large food manufacturers (those with annual sales exceeding \$100 million) to give the agency 60 days prior notice of any planned merger or acquisition.

The guideline ignored the fact that legislation to require pre-merger notification has been introduced in Congress every year since 1956. Each time it has been rejected. Now, FTC has suddenly appropriated itself the same power.

Some federal agencies even have their own quasi-judicial systems which operate like built-in power generators. Example: The Agriculture Department, one of whose hearing examiners ruled that a regional bacon sales promotion by Armour and Co. must be curtailed because the selling price was found to be lower than the company's own production and marketing costs. Despite the fact that Armour's brand accounted for less than five per cent of bacon sales in the target area, the hearing examiner ruled that the below-cost promotion had "disrupted" competition.

The Packers and Stockyards Act doesn't say a word about "below-cost" promotional sales. Nor has Congress seen fit to outlaw below cost sales.

The case is now awaiting decision at USDA's highest regulatory level. The judge and jury: The Department's own judicial officer.

### **Jumping into new areas**

Sometimes federal agencies sim-





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It doesn't have a meter.**

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56-3

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**Kodak**  
TRADEMARK



ply plunge into new activities without even a glance at Congress:

- Late last year the Federal Trade Commission began establishing its own laboratory to test the tar and nicotine content of major cigarette brands. The action was taken at the urging of Senate Commerce Committee Chairman Warren Magnuson who asked the agency to report its findings to the Committee quarterly. While this may come in handy to Sen. Magnuson and his Committee (much to the bewilderment of the tobacco industry), Congress as a whole never authorized the procedure.

- Last year's National Traffic Safety Act requires auto makers to send Washington copies of all bulletins notifying dealers of production defects. In addition to barring disclosure of trade secrets, the Act refers only to defects which involve safety.

Yet, due to a little-known administrative policy, any curious citizen may walk into the newly created National Traffic Safety Agency and examine its complete file of dealer defect notices—safety related and otherwise. Included in the correspondence is nonsafety data which manufacturers once considered trade secrets.

- The Labor Department has suddenly served notice that it will soon issue a directive requiring employers on federally aided projects to submit advance descriptions of their hiring plans. It will also insist that contractors attend pre-award conferences with federal officials to discuss their hiring plans. Purpose: To attack discrimination in hiring in the construction industry.

While many regard the motive as laudable, there is scant, if any, mandate from Congress to take such action.

- Recently, the FTC decided it would require importers of wool to send samples of arriving shipments to independent laboratories for performance and label tests. Results would have to be sent to the Commission before the product could be marketed.

Despite the fact that the procedure would cost importers a great deal of time, money and inconvenience, there is no mention in the Wool Products Labeling Act (or in any other federal law) of authority to require laboratory tests.

- How would you like to have a federal agency, armed with a big advertising and public relations

budget, waging a propaganda war in the marketplace to eradicate your product? This is precisely what faces the tobacco industry in the form of the National Clearinghouse for Smoking and Health.

The agency was created in October, 1965, through an administrative order from the Public Health Service. Now, with a \$2.5 million budget (which may jump to \$4 million in the next fiscal year), the clearinghouse carries out "public education" programs, research and data gathering.

Again, a program many regard as laudatory, but one which has never received a specific authorization from Congress.

### **The explosive pilot program**

Today a growing favorite among federal agencies is the program which is allowed to blossom under the guise of an experiment, a pilot program.

A classic example is Agriculture Department's food stamp program. In 1959, Congress adopted a resolution asking the Secretary of Agriculture to investigate the possibility of setting up a program whereby needy families would purchase federal food coupons which then would be redeemed at higher value in food stores.

What began as a feasibility study was quickly expanded by USDA into a pilot program which, by 1964, covered some 43 counties and 400,000 persons at an annual cost exceeding \$50 million.

Only then did USDA, unable to bury the program any longer in its multibillion dollar budget, decide to go before Congress and ask it to sanction a program that was already spending more than the Federal Trade Commission and Federal Communications Commission combined.

Then there's the devastating device—the power to do nothing at all. Simply by ignoring instructions from Congress, an uncooperative federal agency can strangle a program.

This is exactly what happened to the Kerr-Mills Act, medicare's predecessor. Kerr-Mills (known officially as Medical Assistance to the Aged) was born in the rump session of Congress that followed the Democratic and Republican conventions of 1960. It enabled each state to set its own aged care benefits.

It was obvious from the start that the program was doomed. In 1961,

the incoming administration, deeply committed to the medicare concept, made sure that Kerr-Mills was administratively neglected and kept on a fiscal diet bordering on starvation. As Sen. Everett Dirksen (R-Ill.) recalls, he asked an aide in 1962 to call the Kerr-Mills office in reference to a routine constituent problem.

"I'd like to speak with someone in the Kerr-Mills office," the aide told the telephone operator at the Department of Health, Education and Welfare.

"All right," she said, "but you know the program's not working, don't you?"

As the Senator put it: "If you can't even get through the telephone operator, how has the program got a chance?"

When a single industry is bombarded by several executive branch actions at once, the result can be calamity.

### **An industry under fire**

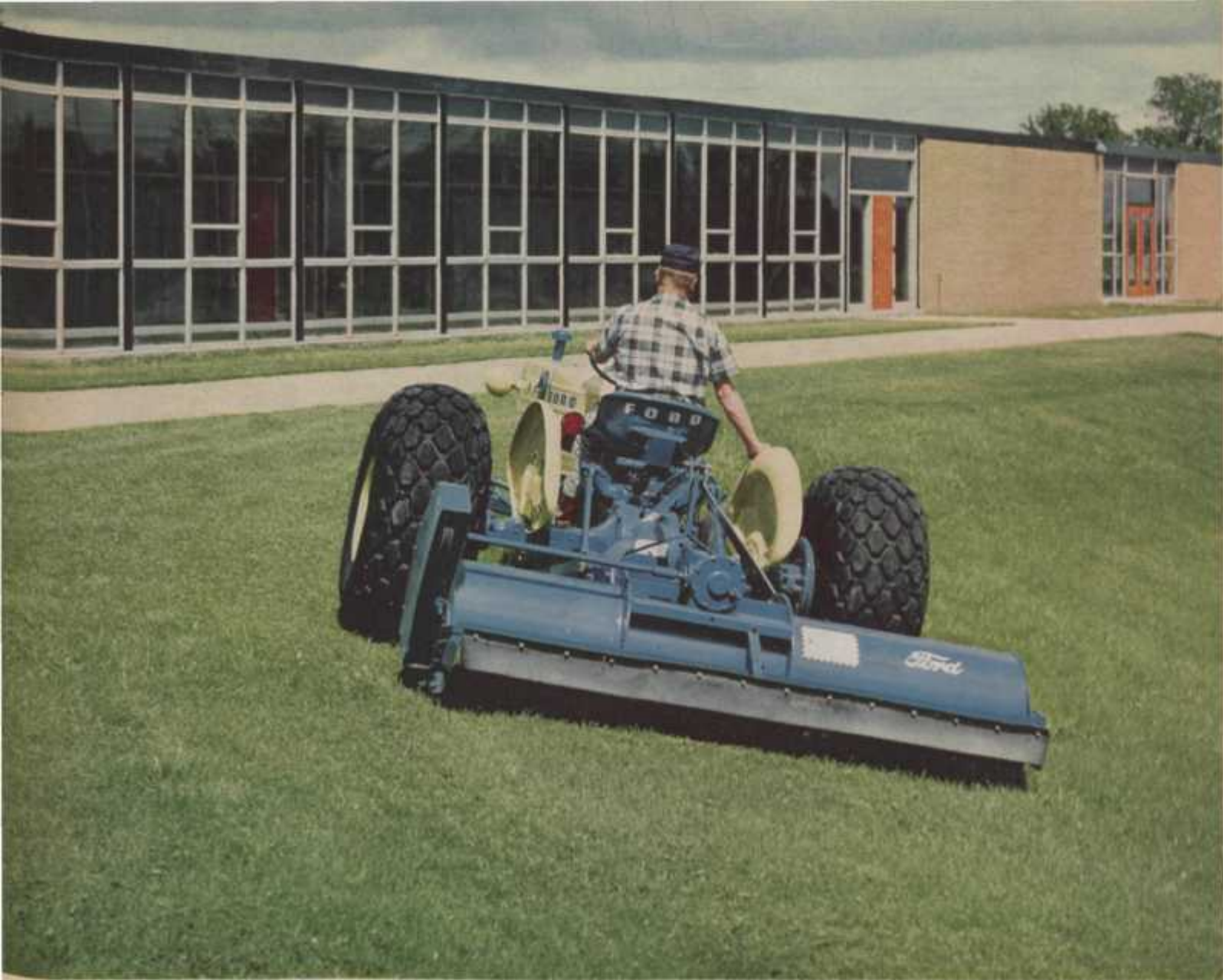
This is what's happening to the installment credit industry. For more than five years, it has been fending off government-favored credit unions while at the same time battling legislation that would regulate advertising of interest rates and other lending practices. So far Congress has not seen fit to adopt such curbs; but a hail of actions in the executive branch has already accomplished many of these same objectives.

Last fall, for example, the Defense Department decided to issue regulations covering firms that offer credit to military personnel. In addition to rules requiring disclosure of "true annual interest rates"—precisely what Congress had balked at legislating—the rules banned credit instruction courses and other educational activities by installment credit associations on military bases.

While the credit industry was dueling the Pentagon, its left flank was exposed to another attack. Under the sponsorship of the Office of Economic Opportunity (the poverty office) and the President's Committee on Consumer Interests, the Administration launched "Project Moneywise," a pilot program in major metropolitan areas in which federal spokesmen preach the use of nonprofit, nontaxpaying credit unions over existing installment credit sources.

The Social Security Administration's Bureau of Federal Credit Unions added its own contribution to the campaign. It announced that it would begin assigning full-time





Most rental yards and many Ford tractor dealers rent Ford tractors and equipment by the day, week, or month. See the Yellow Pages.

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It's not the money so much as the annoyance and lost time. Your tractor goes down for some small repair, or simply for routine servicing. You lose production. ■ We have a better idea! New tractors built to take more punishment than you'd believe possible. ■ Smooth-running Ford three-cylinder engines are shorter with stronger parts in a more rigid block. Big bore and short stroke for free breathing. Main bearings between every crank pin. Hardened top piston ring groove insert and chrome-faced rings. Exhaust valve rotators and hardened seats. ■ All are reasons why intervals between routine servicing now are as much as three times longer than they used to be. Oil filters last 300 hours. Diesel fuel filters have a working life of more than 1200 hours. Other vital parts are equally durable. ■ As a result, all those annoying little things that used to go wrong, don't go so wrong. Your new Ford keeps working when schedules are tight and deadlines come fast and furious. ■ You still may be nicked and dined, just like any other man with a wife and children. ■ But, not by maintenance on your Ford tractor. ■ Ford Tractor Division, 2500 East Maple Road, Birmingham, Mich. 48012.







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## THE GREAT POWER ROBBERY *continued*

employees to big cities to promote formation of credit unions in low-income areas.

These programs—all of them competing with an important American industry—were undertaken without consulting Congress.

In addition, the FTC launched a case which would throw even more controls on the industry than the so-called truth in lending legislation still pending before Congress. In this case, the Commission has charged that a lending organization's practices are deceptive partly because its advertisements do not disclose such data as loan terms, method of repayment, number of payments and borrower's total expense. Said the agency: "The 'failure' to reveal these material facts tends to unfairly mislead . . . the public as to the extent of the financial obligations to be incurred by them."

What confounds the installment credit industry is that the FTC never spelled out what data must be included in loan advertisements.

"Under the circumstances, how can one tell what laws are violated?" laments an industry leader.

The plight of the installment credit industry shows what can happen when a half dozen administrative actions come crashing down at once. "What can we do?" asks an officer of the American Industrial Bankers Assn. "It isn't quite the same as a bill in Congress where you have a chance to present a public statement and a chance to get the best thinking of 535 legislators. You wake up one morning and there it is in your newspaper—announcement of a new regulation or guideline. Sure, you can fight it in the courts, but this is costly, time-consuming and seldom effective. Whom can we turn to?"

One answer, of course, is Congress. Congress has the muscle to roll back administrative actions it hasn't sanctioned.

But much of the power erosion on Capitol Hill is caused by Congressional neglect. Many bills, drafted and passed in haste, have left the executive branch with broad, vague instructions enabling it to adopt far-reaching regulations.

Can Congress recoup what it has lost—or given away? The answer isn't clear. But the outcome could prove to be the most significant development on Capitol Hill in 1967.

—JAMES D. SNYDER

## WHY CHANCE IT?

Fate plays an important role in the affairs of life and sometimes lends a helping hand. But waiting for fate can be fatal.

If you seek success, take advantage of all the means at your command. Your trade and professional association should rate high on your list . . . don't overlook its potential.

Your associations' aids are many . . . specialized information, market research, business and sales statistics, management services . . . plus other expert advice that leaves little to chance.

The association that serves your field may be able to do the things for you you can't do for yourself. With their help—and just a bit of luck—you're bound to benefit.

## POINTERS FOR PROGRESS

through trade and professional associations



ment directors and personnel people in business and government.

## Not telling the story

Joseph M. Bertotti, manager of educational relations for General Electric Co., volunteered a striking example of how the corporation story needs better telling.

He recounted it to more than 200 students who packed an ornate banquet hall in downtown Providence, R.I., for the fifth annual College-Business Symposium presented by the Greater Providence Chamber of Commerce:

"We conduct many on-campus interviews. We were interested to know why more students didn't take advantage of them, so we surveyed 2,500 in the class of '66 who hadn't.

"The number one reply was that 'GE isn't in the field I'm interested in.' Well, GE is represented in 16 of the 20 biggest, basic industries. We're working to solve most of the things that make up urban congestion; we're going into the whole concept of planned communities; we're working to desalt water; a part of the company is dedicated to untangling some of the problems involved in the learning process; we're bringing new computer applications to health.

"But we were not getting this story across to some of the students."

Businessmen are in broad agreement that they must speak up more than they have. Erskine N. White, executive vice president of Gorham Corp., told the same Providence symposium:

"Business must contribute much more than money to colleges. It must contribute dialogue. We cherish the economic system we operate under. But often it's too little understood. We're told that too many college students are choosing other pursuits."

M.A. (Mike) Wright, chairman of the board and chief executive officer of Humble Oil & Refining Co. and president of the Chamber of Commerce of the United States, sees symposiums that bring college students and businessmen together as "one of the important means for getting understanding of business and the business viewpoint among the bright young people who will be tomorrow's leaders."

W.F. Rockwell, Jr., president of Rockwell-Standard Corp., told a businessmen-educators luncheon of the Pittsburgh Chamber of Com-

merce, "We need to eliminate the confusion and restore a sense of balance to the attitudes young people have about business."

Then he offered this challenge:

"Let's stop assuming that everybody appreciates and understands the contributions that business makes to the community. Let's start taking the real story to youth in a progressive and dynamic way.

"Let's stop giving young people the impression that we're always satisfied with things as they are. Let's start proving to them that business is where the action is.

"And let's stop excluding our sons and daughters and young acquaintances completely from our business beliefs. Let's start making a case for the careers we have chosen."

While businessmen recognize the problem and are moving to meet it, they are also well aware that some recent press accounts have blown it all out of proportion.

They know that one out of every five men in college today is majoring in business administration. And they know that thousands with other majors embark on business careers every year.

## What survey shows

Too, a new survey of 206,865 freshmen at 251 colleges and universities by the authoritative American Council on Education shows that 18.5 per cent of the young men plan to go into business. No other occupational category matched that figure.

"I don't think it's an anti-business attitude on the part of the student," comments Bruce Ritter, director of college placement at the University of Maryland. "It's just that today's college student has so many more occupational opportunities than we did. There are so many exciting things taking place in business and industry and in government."

Jeffrey Goddess, a Brown University senior who plans to go on to law school and then join a corporation, tells NATION'S BUSINESS: "To some there seems to be an odium attached to going into business—a feeling that business isn't interested in anything beyond its own profits. But I think a good case can be made that you can do lots more social good in a business than in politics or any other field. I think business can be a real social force through such things as equal

employment opportunity and economic development of depressed areas."

It was to make college students aware of business thinking and its role in national problems that the National Chamber embarked on its program of college-business symposiums back in 1962. Since then, more than 10,000 students have attended one of the more than 70 symposiums held in 29 states.

Henry C. Coleman, chairman of the board of the Commercial Bank at Daytona Beach, Fla., and a Chamber director, told a Baltimore Chamber symposium: "We're not here to brainwash you, but we are going to attempt to sell you on capitalism."

Businessmen are uniformly impressed with the type of student attending these sessions. "I will tell you they keep you alert and very much on your toes," says Mr. Wright. Though many are interested in business careers, they don't come to the sessions hunting jobs. They want the businessman's perspective, want to hear what he has to say about world issues, see for themselves what makes him tick.

The most-asked questions are about inflation, the U. S. role vis-à-vis developing nations, economic growth.

Clifton Gordy, a student at Maryland State College, wants to know how technological advance is affecting man psychologically. Is man becoming subservient to machines, will technological unemployment be a big problem, he and others like him across the nation ask.

William Purnell Hall, director of business and industrial development for The Rouse Co., Baltimore, responds that technological advance represents an emancipation for man rather than a psychological shackle.

In Providence, J. Edwards Smith, general manager of sales and staff personnel for Armstrong Cork Co., reassures: "The computer is a marvelous tool but it's no substitute for human judgment. Without proper information from humans, it's an expensive, electronic moron."

"What is the outlook for establishment of central reserve units, or any form of new reserve currency that would be used to finance expanding world trade?" asks Peter Robinson, an intense young man. He's putting himself through Rhode Island Junior College by working as a dispatcher for Associated Transport Inc. in Providence.

Kurt I. Lewin, assistant vice



# Buy your next fleet car for the Benhams.

You don't know Doug and Jean Benham. They own a second-hand '63 fleet Plymouth.

We didn't know them either, 'til we left our ivory tower to find out, "What happens to fleet Plymouths when you're through with them?"

What happens? They live on as personal cars for people like the Benhams... for people who express utter satisfaction in the ride, room, and performance. In a good-looking car that doesn't drain the check-book. Experience proves, about the only thing that beats a used Plymouth is a new Plymouth. Like that big, beautiful '67 Fury, below.

This all-new Plymouth is something else again. Longer by nearly four inches. Quality controlled from



Meet Doug, Janelle, and Jean Benham. One of the nicest families that ever owned a used fleet car. A pressure pipe quality control engineer, Doug didn't buy "just another" fleet car. He bought a Plymouth. A great car in the 2nd place, because it's built right in the 1st.

start to finish. Loaded with safety features such as a new energy-absorbing steering column, Safe/Flight instrumentation, dual braking system, roadside warning flashers, Safety-Action inside door handles.

And have you ever actually felt *comfort*? The kind that doesn't leave a cramp in your legs? The kind where you don't have to hunch up your shoulders to relax your back?

You can feel the difference... in Plymouth. If you give us half a chance, we'll prove all that made a used Plymouth fleet car a good buy for the Benhams, also makes a '67 Fury an even better buy for your fleet. Check your Plymouth Dealer. He's got what it takes to win you over this year.



Fury III 4 dr. Hardtop

## Plymouth



CHRYSLER  
MOTORS CORPORATION



president of Bache & Co., answers that there must be international monetary reform, but suggests that it be accomplished within the present framework of the International Monetary Fund. He warns that the United States can't continue to have its payments deficits finance other countries' increased trade.

The outlook is encouraging, he adds, but cautions: "If the international monetary structure breaks down, we can expect a recession in Europe which will be exported to the rest of the free world."

A student at the Baltimore symposium wants to know what effect an end to the hostilities in Viet Nam would have on the U. S. economy. Dr. Stanley Malcuit, Aluminum Co. of America's chief economist, responds: "We could increase growth; we could cut taxes; we could restore the investment tax credit."

Students want advice about when to stop their college education. They are told that many companies would like to have them immediately after graduation from undergraduate school. Then, as more education becomes advantageous, these same companies foot the bill for their employees.

Bache & Co.'s Mr. Lewin stresses that the process of education "doesn't end with your degree. The rate of obsolescence of human skills is comparable to that of equipment."

GE's Mr. Bertotti adds that business is seeking the well-trained mind, the mind trained to think creatively. "Don't think your degree will last you for 40 years," he warns.

Mr. Bertotti adds that "we don't judge the student just by his major, rather on his total experience and involvement. The guy who heads our world-wide auditing staff majored in Greek at Princeton. The only thing our top people have in common is diversity."

## How students react

They want answers from businessmen to such questions as: What effect would a \$2 federal minimum wage have on business?

Is money spent on the federal government's war on poverty a good, long-range investment?

Should government or private enterprise bear the major responsibility for job retraining?

Are we headed down the road toward a welfare state?

And don't be surprised if a teenage girl wants to know what effect a change in the discount rate would have on the economy. One asked just that question at the Baltimore Chamber symposium.

Distinct from these college-business symposiums but also sponsored by chambers of commerce all across the country are "community career opportunities conferences" and other similar recruiting fairs that give companies a chance to tell students about the job opportunities in or near their home towns. These fairs don't cut into the time a recruiter can be on campus because they're held during the Christmas vacation. And small and large businesses alike are finding them a highly productive and relatively low-cost way of meeting some of their hiring needs.

To better tell their story, companies are sending topflight, enthusiastic recruiters to more and more campuses. Says Evart Ardis, director of the Bureau of Appointments and Occupational Information at the University of Michigan, "to a very great extent, students judge a company by the man it sends on campus. The recruiters who come here do a fine job. They're the most ethical, finest people you could hope to know."

And more than ever before, these recruiters are trying to tell the whole corporate story.

"My company has been working in fascinating and diverse fields for years, but we're just now bringing this across to the college student," says one recruiter. "Before, when we talked to prospective accountants, we stuck to that subject. Now we're letting them in on the whole exciting story."

With so many interests and enterprises vying for the student's career, he's getting attention earlier in his academic life. More and more companies are seeking to talk to students before they become seniors. College placement directors are beaming special programs at the lower classmen. Businesses in increasing numbers are sending out effective speakers to student groups to get the business story across.

Placement libraries are chock-full of job listings and recruiting material. UCLA's, alone, last year had 6,500 job listings. And dedicated placement officers are doing an impressive job.

In addition to sending some of

their brightest young men out as recruiters, business is sprucing up its recruiting literature.

Michigan's Mr. Ardis says the change is dramatic. A major oil company's literature emphasizes what it's doing to improve man's lot around the world, he says. Insurance companies are seeing that their activity in the building of new cities and renewal of old ones is getting across to the college student.

Ford Motor Co. for some years has been conducting college seminar programs on campuses and at its plants. Top Ford personnel meet with members of college and university faculty to show the academic community some of its management, its way of doing business, its thoughts about what it sees as its place in the economy and to find out what the college faculty thinks about Ford and its business.

"We have a direct interest in helping the academic community to know and understand us better," says Henry Ford II, Ford board chairman.

## Closing the gap

Businessmen are moving ahead on other fronts, too. They're taking a hard look at their training programs to see if they can be shortened or eliminated. A complaint some college students have had is that after years of education they move into the corporate arena only to become bogged down in a two- or three-year training program and no defined job.

Many of these training programs are necessary, but the definite trend is toward getting the youngster into a real work responsibility sooner.

To students apprehensive that they'll be only a small spoke in a big wheel, businessmen like Armstrong Cork's Mr. Smith advise:

"Embark on your career with the positive attitude that you are going to stand out, and you can. Your company is constantly evaluating you. You don't get lost."

Businesses are also talking more about the role they've played for years in civic affairs. Gorham's Mr. White told the Providence symposium: "The presidents of leading corporations spend almost half their time on civic responsibilities." Recruiting literature of Ford and others remark on the fact that businessmen are at the heart of community improvement and charitable activities.

All of this effort by business, and by its friends on campus, is closing the communications gap. **END**



# Packages that travel on "people" schedules!



## Your packages go everywhere Greyhound goes. Same bus, same fast, frequent schedules, when you ship by Greyhound Package Express

"People" schedules are package schedules when you ship by Greyhound Package Express. Got a hurry-up shipment? Put it on a Greyhound...the same Greyhound bus that carries passengers. When the passengers arrive, your shipment arrives. Schedules are regular, fast and frequent. You can ship anytime

at your convenience...day or night, 7 days a week, 24 hours a day. Weekends and holidays, too. Greyhound travels the most direct routes, via the newest super highways, serving thousands of cities, towns and villages all over America. And GPX is a money-saver you can't afford to overlook. Next time

you've got a shipment ready to go, look into GPX. Take your choice of C.O.D., Collect, Prepaid, or open a GPX Charge Account. For complete information about service, rates and routes, call Greyhound, or write: Greyhound Package Express, Dept. 1-C, 10 South Riverside Plaza, Chicago, Ill. 60606.

### It's there in hours and costs you less

For Example:	Buses Daily	Running Time	20 lbs.	30 lbs.	40 lbs.*
NEW YORK—BOSTON	28	4 hrs. 05 min.	\$2.00	\$2.35	\$2.60
SAN FRANCISCO—SACRAMENTO	35	1 hr. 40 min.	1.40	1.60	1.80
ATLANTA—BIRMINGHAM	10	3 hrs. 20 min.	1.85	2.10	2.45
KANSAS CITY—ST. LOUIS	9	5 hrs. 15 min.	2.10	2.40	2.70

\*Other low rates up to 100 lbs. Lot shipments, too.



One of a series of messages depicting another growing service of The Greyhound Corporation.



We want to know what kind of problems people have.

We would much rather establish our rules on the basis of what is actually happening than on the basis of what we guess is happening. And it is very helpful when taxpayers or business groups come in with information, rather than just saying, "What you propose to do is wrong."

In other words, we'd rather have exposition than explosion.

**How and when will you implement the changes in self-employed pension plans that Congress sanctioned?**

The statute has an effective date of Jan. 1, 1968, so I hope we will have rules before then explaining the new changes, which allow greater deductions.

**Mr. Cohen, with about 900 local offices all over the country is there a problem that somebody in South Carolina will get one interpretation**

**of a tax ruling while somebody in South Dakota gets another?**

Well, you have the problem of human fallibility no matter how explicit the directions are. But we have a pretty good system for maintaining consistency. On technical issues, we have a review staff in each district or in each region to review all technical questions and resolve them on a uniform basis.

We also have a uniform audit group in Washington that tries to make sure uniform standards and principles are applied everywhere.

**Mr. Commissioner, what do you see as major developments or trends that will affect taxpaying by businessmen, say, five to 10 years from now?**

There are a great many things about which you can speculate. For example, we have been experimenting with direct communication with our regional computer system. It is too expensive today, but one of these days it won't be. With the

use of such direct communication we would be able to process returns quicker and hold costs down. It would also mean we could process the many millions of refunds we make a good bit quicker. In a few years we will have better information retrieval techniques that will enable us to give taxpayers quicker answers, swifter rulings.

As we move into automating that process, we will be able to recall instantly a ruling given to somebody else on a similar subject, get a copy of it and see if it fits.

We haven't got the money or the technology to do this right now, but when you talk in terms of five or 10 years from now, yes, I think we can perceive things like this.

Also we are training agents to audit through a computer. Since business people are using computers we ought to be able to gear our operations to them.

Don't get me wrong, auditing is still going to be with us. Computers don't answer questions, they only give you material quickly from which answers can be derived. **END**

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# WHO PAYS

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"We're retreating from the war on poverty to fight a faraway war in Viet Nam."

"The poor are being forced to pay for the war."

So moan the self-proclaimed spokesmen for the poor.

Those who seek the truth, however, find that government spending to help America's destitute still flows freely. Federal outlays—from relief payments to food stamps to Job Corps—will total about \$25 billion a year. Many billions more come from state, local and private sources. Much more money than the war has cost.

The Administration has asked for a 16 per cent increase for the impoverished in the new budget.

Who really is paying for both war and peace? Hard-working and patriotic individuals and businesses through the progressive income tax, of course. The more income you have, the more tax you pay.

Less than two per cent of taxable income comes from those with income under \$3,000—the poverty bracket. And their average tax is not much more than the cost of a daily pack of cigarets or bottle of beer. Hardly a sacrifice.

And millions pay no income tax at all.

Moreover, under the Administration's proposed tax increase, the poor would be excluded completely.

No, the poor don't pay for war. But the rest of us do, and willingly, to protect all our freedoms, including the freedom of the uninformed to gripe.

**Nation's Business • March 1967**

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